

## 2. Items Scheduled for Publication in Future Federal Register Editions

(Source: [Federal Register](#))

\* Commerce/BIS; NOTICES; National Security Investigations: Imports of Uranium [Publication Date: 25 Jul 2018.]

\* State; Designations as Foreign Terrorist Organizations: al-Shabaab (and other aliases) [Publication Date: 25 Jul 2018.]

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## 3. Commerce/BIS Publishes FAQs Concerning Product Exclusions for Section 232 Steel and Aluminum Tariffs

(Source: [Commerce/BIS](#), 24 Jul 2018.)

### ***On what basis will a product exclusion be granted?***

A product exclusion will be granted if the article is not produced in the United States: (1) in sufficient and reasonably available amount; (2) satisfactory quality; or (3) there is a specific national security consideration warranting an exclusion.

### ***What is the process for reviewing product exclusion requests?***

The Department of Commerce reviews each request for conformance with the submission requirements. Those requirements are set forth in the [Federal Register Notice of March 19, 2018](#).

Once a request is posted, there is a 30 day comment period. If there are no objections to a request, the Department of Homeland Security/Customs and Border Protection (CBP) reviews the Harmonized Tariff Schedule of the United States (HTSUS) code cited in the submission for accuracy. If CBP determines the code is inaccurate, the request is denied and the requester provided CBP contact information. If CBP determines the HTSUS is accurate, the request is approved if there are no national security concerns and the decision posted on [www.regulations.gov](#).

If objections are submitted, the Department of Commerce reviews each objection for conformance with the submission requirements. If an objection is posted, the Department reviews the request and the objection(s) to the request and determines whether the item is produced in the United States in a sufficient and reasonably available amount of satisfactory quality, or if there is a specific national security consideration warranting an exclusion.

### ***How will I know if my product exclusion request has been granted or denied?***

All product exclusion decisions will be posted on [www.regulations.gov](#).

***Will the Department of Commerce identify the reason for the decision?***

For each Exclusion Request the Department of Commerce will post a Decision Memo identifying whether the request is granted or denied.

If the request is denied due to an incorrect HTSUS classification, the Decision Memo provides information how on to obtain a correct HTSUS classification from CBP.

If the request was denied for other reasons, the Decision Memo will state the reason.

***How are requesters notified once a final determination has been made?***

Decision documents will be posted on regulations.gov, as a document attached to the initial Exclusion Request.

***Where can I find the decision documents?***

Decision Memos will be posted on regulations.gov as a document attached to the initial Exclusion Request. The title of the original Exclusion Request on regulations.gov will also be changed to reflect the status of the request.

***How do I use my granted product exclusion?***

CBP has provided detailed instructions on using your granted product exclusion. Please consult [CSMS #18-000378](#) for further instructions.

***Am I eligible for retroactive refund?***

If you have been granted an exclusion, you are eligible for a retroactive refund. Granted product exclusions are retroactive to the date the request for exclusion was posted for public comment at regulations.gov.

***How do I get a retroactive refund?***

CBP has provided detailed instructions on how to receive a retroactive refund. Please consult [CSMS #18-000378](#) for further instructions on receiving retroactive relief if available.

***What if a company disagrees with a denial?***

If the denial is based on an inaccurate HTSUS classification, the requester should contact CBP for the correct classification. The company may then submit a request with the correct HTSUS classification. The request should note it is a resubmission with a revised HTSUS classification and attach the CBP determination.

If the denial is based on an objection, the requester may file a new exclusion request and include information documenting the reason why the new request should be granted notwithstanding the prior objection(s). This information could include, for example, the documentation of the inability or refusal of the objector(s) to provide the product.

***How long is my granted product exclusion effective?***

Generally, an exclusion is granted for one year from the date of signature. Please see your Decision Memo for this information.

***May approved Exclusion Requests be transferred to other internal or external organizations?***

No. The use of an Exclusion by any entity other than the organization that filed the original Exclusion Request is prohibited.

***If my organization receives a product exclusion, is there a chance that it could be revoked?***

Generally, granted product exclusions will be valid for one year. The Department of Commerce will not move to revoke granted product exclusions unless it has been determined that submitted information was falsified.

***Can I request a product exclusion from countries that are exempt from tariffs (such as through quotas)?***

No. The Department of Commerce cannot grant exclusion requests for products imported from a country subject to a quota. Under the authority granted by the President, an exclusion request may only be granted for aluminum or steel imported from a country subject to a tariff.

***I have additional questions about the exclusion process, who do I contact?***

For questions about the exclusion form or objection form, please email or call: [Aluminum232@bis.doc.gov](mailto:Aluminum232@bis.doc.gov) or 202-482-4757 for aluminum-related inquiries and [Steel232@bis.doc.gov](mailto:Steel232@bis.doc.gov) or 202-482-5642 for steel-related inquiries.

***How do I notify CBP of my granted exclusion?***

CBP will receive a notification from the Department of Commerce of any specific company and product to be excluded from the applicable tariff. You will be required to provide CBP with your granted Exclusion Request number that is provided by the Department of Commerce.

***When does my exclusion become effective?***

If you are granted an exclusion, it will be effective five days after the decision has been posted on [www.regulations.gov](http://www.regulations.gov).

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#### 4. DHS/CBP Announces Next Customs Broker Exam on 24 Oct (Source: [DHS/CBP](#), 20 Jul 2018.)

The [next Customs Broker exam](#) is 24 October 2018. The reference material is:

- Harmonized Tariff Schedule of the United States (2018 Basic Edition, No Supplements)
- Title 19, Code of Federal Regulations (2017 Revised as of April 1, 2017)
- Instructions for Preparation of CBP Form 7501 (July 24, 2012)
- Right to Make Entry Directive 3530-002A
- [Business Rules and Process Document \(Trade - External\) Ace Entry Summary \(Version 9.0\)](#) (May 2018)

**All registrants will be required to self-select their exam site after the registration period is closed.**

- Registration will open in late August 2018 and close at 8:30 am Eastern Standard Time on September 24, 2018.
- Watch [this site](#) for information about registration.
- CBP is discontinuing the process of providing pencils and scrap paper.
- Examinees may bring their own pencil and scrap paper to the exam.

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#### 5. DHS/CBP Releases Updated Drawback Trade Issue Tracker Document

(Source: [CSMS# 18-000452](#), 23 Jul 2018.)

Attached is the latest Drawback Trade Issue Tracker document. As a reminder, questions relating to policy changes for Drawback should be emailed to the OT Drawback inbox at [OTDRAWBACK@cbp.dhs.gov](mailto:OTDRAWBACK@cbp.dhs.gov).

Attachment(s):

- [DepG4 Status Checkpoint Trade Drawback 7 23 18.pdf](#)

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#### 6. State/DDTC: (No new postings.) (Source: [State/DDTC](#))

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#### 7. UK ECJU Updates 12 OGELs to Clarify Security Provisions (Source: [UK ECJU](#), 24 Jul 2018.)

The UK Export Control Joint Unit (ECJU) has updated the text of 12 open general export licenses to clarify that an approved F1686 fulfils the requirement of having a written letter of clearance. The F1686 procedure itself and actions required to obtain one have not changed.

#### *OGELs Updated*

- [export after repair/replacement under warranty: dual use items](#)
- [export for repair/replacement under warranty: dual use items](#)
- [certified companies](#)
- [export after repair/replacement under warranty: military goods](#)
- [export for repair/replacement under warranty: military goods](#)
- [exports or transfers in support of UK government defence contracts](#)
- [exports under the US-UK Defence Trade Cooperation Treaty](#)
- [military components](#)
- [military goods, software and technology](#)
- [military goods, software and technology: government or NATO end use](#)
- [software and source code for military goods](#)
- [technology for military goods](#)

The OGELs listed above will come into force today.

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## 8. UK Government Releases Strategic Export Controls Annual Report 2017

(Source: [UK Government](#), 23 Jul 2018.)

Pursuant to Section 10 of the Export Control Act 2002, the UK Government has presented its Strategic Export Controls Annual Report to the House of Commons. The report is available (in PDF) [HERE](#).

The report includes sections on:

- information on export licensing processes and responsible departments
- export Licensing data and performance statistics
- UK and EU policy developments and a section on Brexit
- export licensing and industry
  - UK support to allies and partners
  - international policy and regimes
  - compliance and enforcement

It also contains case studies and detailed information about the UK's export licensing processes and procedure.

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**9. BBC: "UK Criticizes Security of Huawei Products"**  
(Source: [BBC](#), 19 Jul 2018.) [Excerpts.]

A UK government [report](#) into Huawei's broadband and mobile infrastructure equipment has concluded that it has "only limited assurance" that the kit poses no threat to national security.

The investigation revealed shortcomings in the Chinese firm's engineering processes, which it said "have exposed new risks in UK telecoms networks".

It added that "significant work" was required to tackle the issues.  
In response, Huawei acknowledged there were "some areas for improvement".

...

The report was written by the Huawei Cyber Security Evaluation Centre (HCSEC), which was set up in 2010 in response to concerns that BT and others' use of the firm's equipment could pose a threat. ...

The news comes as the U.S. steps up efforts to ban Huawei's equipment from its country's networks. Australia is also [considering banning the firm from being involved](#) in its planned 5G network, over concerns that Beijing could force the firm to hand over sensitive data.

This is the UK's fourth annual report into Huawei. The previous three concluded that any risks posed by the firm to the UK's national security "had been mitigated". ...

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**10.**

**Expeditors News: "Canada Implements Change to Earliest Time Frames for Release of Imported Goods"**  
(Source: [Expeditors News](#), 21 Jul 2018.)

On July 5, 2018, the Canada Border Services Agency (CBSA) announced an upcoming change to the earliest time in which imported goods may be released.

Once the change is implemented, the mode-specific timeframes (Memorandum D17-1-4 Release of Commercial Goods) will no longer apply. Additionally, CBSA will not release the goods until their arrival at the final destination. What this change amounts to is that brokers will no longer receive penalties for filing entries with certain modes of transportation prior to arrival.

The implementation date is still to be determined. The CBSA Customs Notice may be found [here](#).

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**11.****Fox News: "This Marks the End Of Gun Control"**(Source: [Fox News](#), 21 Jul 2018.)

Gun control advocates fear plastic guns may be undetectable after a U.S. government ruling that allows 3D gun printing. Kurt Knutsson, The Cyber Guy, with more. ...

The U.S. Justice Department [announced a legal settlement](#) and its surrender to the First Amendment arguments July 10 made in a case brought by Cody Wilson, founder of Defense Distributed. Wilson, 25, created a ruckus in May 2013 when he announced his successful design of a plastic gun. In just two days, [100,000 copies](#) of the handgun blueprint were downloaded from Wilson's website.

The most downloads came from Spain, followed by the U.S., Brazil and Germany. The heavy downloading in Spain, Brazil and Germany likely reflected attempts to evade extremely restrictive handgun regulations in those countries. ...

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**12.****The Jerusalem Post: "Exclusive: German Intelligence Contradicts Merkel On Iran's Nuclear Drive"**(Source: [The Jerusalem Post](#), 21 Jul 2018.) [Excerpts.]

A German intelligence report from the city-state of Hamburg said Iran's regime is continuing to seek weapons of mass destruction, delivering another intelligence agency blow to Chancellor Angela Merkel's belief that the 2015 atomic deal with the Islamic Republic curbed Tehran's nuclear weapons ambitions.

*The Jerusalem Post* reviewed the 211- page document that states "some of the crisis countries... are still making an effort to obtain products for the manufacture of atomic, biological and chemical weapons of mass destruction (proliferation) and the corresponding missile carrier technology (rocket technology)."

The Hamburg report on Thursday added that "the current main focus points of countries in the area of relevant proliferation activities are: Iran, Syrian, Pakistan and Syria." ...

The Federal Republic conducts dual use deals with the Islamic Republic, in

which German technology and equipment can be used for military and civilian purposes. ...

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### 13. ST&R Trade Report: "Companies Dealing with Specified Products and Countries Advised of NK Sanctions Risk"

(Source: [Sandler, Travis & Rosenberg Trade Report](#), 24 Jul 2018.)

Businesses with operations in industries and/or countries identified in a new U.S. government advisory as being at high risk of violating sanctions against North Korea should closely examine their supply chains and adopt appropriate due diligence practices. This advisory highlights sanctions evasion tactics used by North Korea and notes that well-documented due diligence policies and practices to counter these tactics may be considered mitigating factors when enforcement responses are determined.

#### *Existing Sanctions*

The U.S. maintains a wide range of restrictions on trade with North Korea, including prohibitions on the exportation or reexportation to, or importation from, North Korea of any goods, services, or technology; a ban on imports of goods, wares, articles, and merchandise mined, produced, and manufactured wholly or in part by North Korean citizens or nationals; and any approval, financing, facilitation, or guarantee by a U.S. person of a transaction by a foreign person that would be prohibited if performed by a U.S. person or within the U.S. Those who violate these sanctions can be subject to civil and criminal penalties as well as denial of entry, seizure, and forfeiture of imported goods.

In addition, United Nations member countries are required to (a) prohibit imports from North Korea of 21 categories of goods, including textiles, seafood, metals, food and agricultural products, machinery, electrical equipment, wood, and vessels; (b) prohibit all joint ventures with North Korean entities and individuals; and (c) repatriate all North Koreans earning income no later than Dec. 22, 2019.

#### *Identified Risks*

According to the advisory, one of the primary risks of violating these sanctions is the inadvertent sourcing of goods, services, or technology from North Korea, which has been associated with the following.

- Third-country suppliers shift manufacturing or subcontracting work to a North Korean factory (e.g., for embroidery detailing on garments) without informing the customer or other relevant parties.
- North Korean exporters disguise the origin of goods produced in North Korea (e.g., seafood and garments) by affixing country of origin labels that identify a third country.

- North Korean firms have established hundreds of joint ventures with partners from other countries in industries such as textiles, apparel, construction, small electronics, hospitality, minerals, precious metals, and seafood. Companies should carefully review the list of JVs in annex 2 of the advisory to ensure they are not working with these companies, though it should be noted that this list is not comprehensive or up to date.
- North Korean exporters sell goods and raw materials (e.g., minerals) well below market prices to intermediaries and other traders.
- North Korea sells a range of information technology services and products abroad, including website and application development, security software, and biometric identification software that has military and law enforcement applications.

Another sanctions violation risk is the presence in companies' supply chains of North Korean citizens or nationals whose labor generates revenue for the North Korean government. Affected industries include textiles, apparel, construction, footwear, hospitality, IT services, logging, medical, pharmaceutical, restaurant, seafood processing, and shipbuilding. The advisory identifies 42 countries where North Korean laborers working on behalf of the North Korean government were present in 2017-2018, including Cambodia, China, Indonesia, Malaysia, Nigeria, Peru, Poland, Russia, Singapore, Taiwan, Thailand, the United Arab Emirates, and Vietnam.

Businesses should use due diligence best practices to guard against these risks.

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## COMMENTARY

14. K. King, S. MacMichael & R. Ross: "Export Control Reminder: Semi-Annual Encryption Reporting Deadline: 1 Aug 2018"

(Source: [Cooley LLP](#), 23 Jul 2018.)

\* Authors: Kevin King, Esq., [kking@cooley.com](mailto:kking@cooley.com); Shannon MacMichael, Esq., [smacmichael@cooley.com](mailto:smacmichael@cooley.com); and Rebecca Ross, Esq., [rross@cooley.com](mailto:rross@cooley.com). All of Cooley LLP, Washington DC.

August 1, 2018, is the deadline for submitting semi-annual reports for certain ENC Restricted encryption items exported or re-exported between January 1 and June 30, 2018, pursuant to paragraphs (b)(2) and (b)(3)(iii) of License Exception ENC (15 CFR 740.17). The encryption items subject to the semi-annual reporting requirement include, but are not limited to, network infrastructure items, items with an open cryptographic interface, certain

encryption source code and encryption items performing vulnerability or forensic analyses.

Certain "network infrastructure" items (including WAN, MAN, VPN, backhaul or long-haul equipment, certain satellite infrastructure, media gateways and terrestrial wireless infrastructure) may no longer be subject to the semi-annual reporting requirement due to changes to the encryption controls under the US Export Administration Regulations (EAR), effective September 20, 2016. In addition, network infrastructure items no longer require a license for export to "less-sensitive government end-users" in any country (other than the designated terrorist-supporting countries or countries/territories subject to US economic embargoes - currently, Cuba, Iran, North Korea, Sudan, Syria and the Crimea region of Ukraine). "Less-sensitive government end-users" include local, municipal and provincial governments and federal government agencies responsible for civil public works; civil service human resources administration; public health; energy regulation and administration, including oil, gas and mining sectors; and economic and business development functions.

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## 15. M. Volkov: "Iran Sanctions and Third Party Risk"

(Source: [Volkov Law Group Blog](#), 23 Jul 2018. Reprinted by permission.)

\* Author: Michael Volkov, Esq., Volkov Law Group, [mvolkov@volkovlaw.com](mailto:mvolkov@volkovlaw.com), 240-505-1992.

United States businesses are experiencing a sanctions whipsaw. Since 1979, the President has issued twenty-six Executive Orders restricting trade and commerce with Iran.

The Iran Sanctions Program imposed strict prohibitions in a range of areas. The Iran Sanctions Program and the Cuba Embargo are the two most restrict sanctions program implemented by the United States.

All of this changed in January 2016 when the Joint Comprehensive Plan of Action (JCPOA) was reached between Iran and the P5+1 countries. In exchange for sanctions relief, Iran agreed to curb its nuclear-related programs. The JCPOA lifted secondary sanctions against non-US persons, removed approximately 300 persons from the Specially Designated Nationals List, and authorized U.S. companies to conduct business with Iran through foreign subsidiaries under General License H.

On May 8, 2018, the Iran Sanctions Program world changed again when the Trump Administration announced its withdrawal from the JCPOA and its plan to reimpose the U.S. nuclear-related sanctions. Under the new policy, all of the sanctions in existence prior to the JCPOA, including nuclear secondary sanctions, will be reimposed effective November 5, 2018. Businesses have to wind-down Iran-related activities pursuant to JCPOA authorizations, some within 90 days of the announcement, and the remaining within 180 days of the announcement.

The U.S. Secretary of State Mike Pompeo has stated that the administration plans to implement the "strongest sanctions in history," including "secondary sanctions" that target foreign companies that do business with any U.S. person or entity.

The European Union has decided not to follow the United States' action. Germany, Britain and France have requested that the U.S. exempt EU companies from compliance with the U.S. re-imposed sanctions but the U.S. rejected that request.

U.S. companies will face a challenge complying with the new, re-imposed Iran Sanctions Program. The EU's decision not to follow suit complicates sanctions compliance, particularly with respect to third party risks.

The Iran Sanctions Program broadly prohibits the exportation, sale, or supply of goods, technology or services to Iran. See Section 560.204. Even if an exported good is not destined for Iran, a person or business may violate sanctions prohibiting transshipments through Iran. See Section 560.403.

More significantly, the Iran Sanctions Program prohibition includes the exportation, re-exportation, sale, or supply of goods to a person in a third country undertaken with *knowledge* or *reason to know* that the goods are intended for supply, transshipment, or re-exportation to Iran or the Government of Iran.

U.S. companies have to take affirmative steps to ensure that any export of goods or services to a person in a third country are not intended for Iran. When selling goods to a foreign distributor, for example, U.S. companies have to make sure that such goods will not be reshipped to Iran or an Iranian business.

Such a prohibition increases significantly a company's third-party risk and the need to conduct due diligence, secure appropriate written assurances, and review shipping plans for any export to ensure that it does not pass through Iran. Sanctions compliance requires not only managing third party risks but also identifying a company's customers and the intended use of goods exported to a foreign company.

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#### EDITOR'S NOTES

### 16. Bartlett's Unfamiliar Quotations (Source: Editor)

\* **Simon Bolívar** (Simón José Antonio de la Santísima Trinidad Bolívar Palacios Ponte y Blanco; 24 Jul 1783 - 17 Dec 1830; was a Venezuelan military and political leader who played a leading role in the establishment of Venezuela, Bolivia, Colombia, Ecuador, Peru, and Panama as sovereign states, independent of Spanish rule.

- "Good judgement comes from experience, and experience comes from bad judgement."

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## 17. Are Your Copies of Regulations Up to Date?

(Source: Editor)

The official versions of the following regulations are published annually in the U.S. Code of Federal Regulations (C.F.R.), but are updated as amended in the Federal Register. The latest amendments to applicable regulations are listed below.

\* ATF ARMS IMPORT REGULATIONS: 27 CFR Part 447-Importation of Arms, Ammunition, and Implements of War

- Last Amendment: 15 Jan 2016: [81 FR 2657-2723](#): Machineguns, Destructive Devices and Certain Other Firearms; Background Checks for Responsible Persons of a Trust or Legal Entity With Respect To Making or Transferring a Firearm.

\* CUSTOMS REGULATIONS: 19 CFR, Ch. 1, Pts. 0-199

- Last Amendment: 12 Jun 2018: [83 FR 27380-27407](#): Air Cargo Advance Screening (ACAS)

\* DOD NATIONAL INDUSTRIAL SECURITY PROGRAM OPERATING MANUAL (NISPOM): DoD 5220.22-M

- Last Amendment: 18 May 2016: Change 2: Implement an insider threat program; reporting requirements for Cleared Defense Contractors; alignment with Federal standards for classified information systems; incorporated and cancelled Supp. 1 to the NISPOM (Summary [here](#).)

\* EXPORT ADMINISTRATION REGULATIONS (EAR): 15 CFR Subtit. B, Ch. VII, Pts. 730-774

- Last Amendment: 6 June 2018: [83 FR 26204-26205](#): Unverified List (UVL); Correction

\* FOREIGN ASSETS CONTROL REGULATIONS (OFAC FACR): 31 CFR, Parts 500-599, Embargoes, Sanctions, Executive Orders

- Last Amendment: 29 June 2018: [83 FR 30541-30548](#): Global Magnitsky Sanctions Regulations; and [83 FR 30539-30541](#): Removal of the Sudanese Sanctions Regulations and Amendment of the Terrorism List Government Sanctions Regulations

\* FOREIGN TRADE REGULATIONS (FTR): 15 CFR Part 30

- Last Amendment: 24 Apr 2018: [83 FR 17749-17751](#): Foreign Trade Regulations (FTR): Clarification on the Collection and Confidentiality of Kimberley Process Certificates
  - HTS codes that are not valid for AES are available [here](#).
  - The latest edition (30 April 2018) of *Bartlett's Annotated FTR* ("BAFTR"), by James E. Bartlett III, is available for downloading in Word format. The BAFTR contains all FTR amendments, FTR Letters and Notices, a large Index, and approximately 250 footnotes containing case annotations, practice tips, Census/AES guidance, and explanations of the numerous errors contained in the official text. Subscribers receive revised copies in Microsoft Word every time the FTR is amended. The BAFTR is available by annual subscription from the Full Circle Compliance [website](#). BITAR subscribers are entitled to a 25% discount on subscriptions to the BAFTR. Government employees (including military) and employees of universities are eligible for a 50% discount on both publications at [www.FullCircleCompliance.eu](#).

\* HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES (HTS, HTSA or HTSUSA), 1 Jan 2018: [19 USC 1202 Annex](#). ("HTS" and "HTSA" are often seen as abbreviations for the Harmonized Tariff Schedule of the United States Annotated, shortened versions of "HTSUSA".)

- Last Amendment: 8 Jun 2018: [Harmonized System Update 1809](#), containing 901 ABI records and 192 harmonized tariff records.
  - HTS codes for AES are available [here](#).
  - HTS codes that are not valid for AES are available [here](#).

\* INTERNATIONAL TRAFFIC IN ARMS REGULATIONS (ITAR): 22 C.F.R. Ch. I, Subch. M, Pts. 120-130.

- Last Amendment: 14 Feb 2018: [83 FR 6457-6458](#): Amendment to the International Traffic in Arms Regulations: Addition of South Sudan [Amends ITAR Part 126.]
  - The only available fully updated copy (latest edition: 25 Apr 2018) of the ITAR with all amendments is contained in *Bartlett's Annotated ITAR* ("BITAR"), by James E. Bartlett III. The BITAR contains all ITAR amendments to date, plus a large Index, over 800 footnotes containing amendment histories, case annotations, practice tips, DDTC guidance, and explanations of errors in the official ITAR text. Subscribers receive updated copies of the BITAR in Word by email, usually revised within 24 hours after every ITAR amendment. The BITAR is available by annual subscription from the Full Circle Compliance [website](#). BAFTR subscribers receive a 25% discount on subscriptions to the BITAR, please [contact us](#) to receive your discount code.

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## 18. Weekly Highlights of the Daily Bugle Top Stories (Source: Editor)

Review last week's top Ex/Im stories in "Weekly Highlights of Daily Bugle Top Stories" posted [here](#).

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## EDITORIAL POLICY

\* The Ex/Im Daily Update is a publication of FCC Advisory B.V., compiled by: Editor, James E. Bartlett III; Assistant Editors, Alexander P. Bosch and Vincent J.A. Goossen; and Events & Jobs Editor, John Bartlett. The Ex/Im Daily Update is emailed every business day to approximately 8,000 readers of changes to defense and high-tech trade laws and regulations. We check the following sources daily: Federal Register, Congressional Record, Commerce/AES, Commerce/BIS, DHS/CBP, DOE/NRC, DOJ/ATF, DoD/DSS, DoD/DTSA, FAR/DFARS, State/DDTC, Treasury/OFAC, White House, and similar websites of Australia, Canada, U.K., and other countries and international organizations. Due to space limitations, we do not post Arms Sales notifications, Denied Party listings, or Customs AD/CVD items.

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Sent by  [@fullcirclecompliance.eu](mailto:@fullcirclecompliance.eu)

**From:** Jim Bartlett, Full Circle Compliance [REDACTED]@fullcirclecompliance.eu]  
**Sent:** 7/25/2018 7:20:35 PM  
**To:** Abraham, Liz (Federal) [LAbraham@doc.gov]  
**Subject:** 18-0725 Wednesday "Daily Bugle"



# THE DAILY BUGLE

Wednesday, 25 July 2018

The Daily Bugle is a free daily newsletter from Full Circle Compliance, containing changes to export/import regulations (ATF, DOE/NRC, Customs, NISPOM, EAR, FACR/OFAC, FAR/DFARS, FTR/AES, HTSUS, and ITAR), plus news and events. Subscribe [here](#) for free subscription. Contact us for advertising inquiries and rates.

## ITEMS FROM FEDERAL REGISTER

1. [Commerce/BIS Seeks Comments on Section 232 National Security Investigation of Imports of Uranium](#)

## OTHER GOVERNMENT SOURCES

2. [Items Scheduled for Publication in Future Federal Register Editions](#)
3. [Commerce/BIS: \(No new postings.\)](#)
4. [State/DDTC Posts Several DTAG White Papers](#)
5. [Hong Kong Publishes Overview of Officers Authorized to Sign on Strategic Commodities Licenses and Delivery Verification Certificates](#)

## NEWS

6. [Expeditors News: "Canadian Government Publishes Process for Remission of Surtaxes on Goods from the U.S."](#)
7. [Reuters: "U.S. Gun Control Groups Seek to Block Distribution of 3-D Gun Blueprints"](#)
8. [Xinhua: "China Never Steals Other Countries' Technology Through Military-Civilian Integration: FM Spokesperson"](#)

## COMMENTARY

9. [D.M. Edelman: "Reminder - First Iran JCPOA Wind Down Period Deadline Approaching- FOREIGN COMPANIES Please Read This"](#)
10. [Global Trade News: "Weise Wednesday: Is CBP Taking a Stronger Trade Enforcement Posture Than in the Past?"](#)

11. K.C. Georgi, R.K. Alberda & L. Hardaway: "OFAC Issues Helpful Guidance regarding North Korea Sanctions for Businesses with Supply Chains in Asia, Middle East, and Africa"

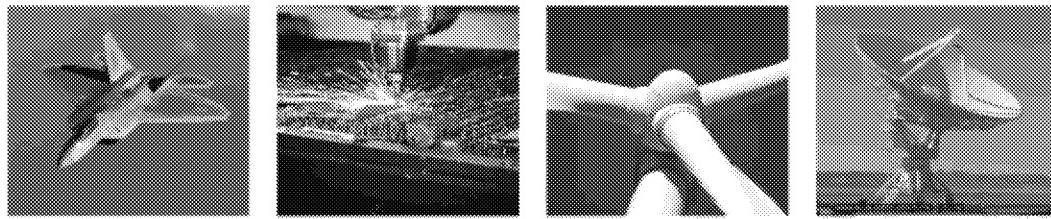
12. M. Volkov: "Corporate Character and Lack of Corporate Will"

**EDITOR'S NOTES**

13. Bartlett's Unfamiliar Quotations

14. Are Your Copies of Regulations Up to Date? Latest Amendments: ATF (15 Jan 2016), Customs (12 Jun 2018), DOD/NISPOM (18 May 2016), EAR (6 Jun 2018), FACR/OFAC (29 Jun 2018), FTR (24 Apr 2018), HTSUS (8 Jun 2018), ITAR (14 Feb 2018)

15. Weekly Highlights of the Daily Bugle Top Stories



**Awareness Course U.S. Export Control  
ITAR & EAR from a Non-U.S. Perspective**

Tuesday, 2 October 2018, Landgoed Groenhoven, Bruchem, the Netherlands



**ITEMS FROM TODAY'S FEDERAL REGISTER**

1. Commerce/BIS Seeks Comments on Section 232 National Security Investigation of Imports of Uranium  
(Source: *Federal Register*, 25 July 2018.) [Excerpts.]

83 FR 35204-35205: Notice of Request for Public Comments on Section 232 National Security Investigation of Imports of Uranium

\* AGENCY: Bureau of Industry and Security, Office of Technology Evaluation, U.S. Department of Commerce.

\* ACTION: Notice of request for public comments.

\* SUMMARY: The Secretary of Commerce has initiated an investigation to determine the effects on the national security of imports of uranium. This investigation has been initiated under section 232 of the Trade Expansion Act of 1962, as amended.

Interested parties are invited to submit written comments, data, analyses, or other information pertinent to the investigation to the Department of Commerce's Bureau of Industry and Security. This notice identifies issues on which the Department is especially interested in obtaining the public's views.

\* DATES: Comments may be submitted at any time but must be received by September 10, 2018. ...

\* FOR FURTHER INFORMATION CONTACT: Michael Vaccaro, Acting Director, Office of Technology Evaluation, Bureau of Industry and Security, U.S. Department of Commerce (202) 482-4060, [Uranium232@bis.doc.gov](mailto:Uranium232@bis.doc.gov). For more information about the section 232 program, including the regulations and the text of previous investigations, see [www.bis.doc.gov/232](http://www.bis.doc.gov/232).

\* SUPPLEMENTARY INFORMATION: ...

The Department is particularly interested in comments and information directed to the criteria listed in Sec. 705.4 of the regulations as they affect national security, including the following:

- (a) Quantity of or other circumstances related to the importation of uranium;
- (b) Domestic production and productive capacity needed for uranium to meet projected national defense requirements;
- (c) Existing and anticipated availability of human resources, products, raw materials, production equipment, and facilities to produce uranium;
- (d) Growth requirements of the uranium industry to meet national defense requirements and/or requirements to assure such growth;
- (e) The impact of foreign competition on the economic welfare of the uranium industry;
- (f) The displacement of any domestic uranium production causing substantial unemployment, decrease in the revenues of government, loss of investment or specialized skills and productive capacity, or other serious effects;
- (g) Relevant factors that are causing or will cause a weakening of our national economy; and
- (h) Any other relevant factors. ...

Dated: July 19, 2018.  
Wilbur Ross, Secretary of Commerce.

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OTHER GOVERNMENT SOURCES

## 2. Items Scheduled for Publication in Future Federal Register Editions (Source: [Federal Register](#))

[No items of interest noted today.]

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## 3. Commerce/BIS: (No new postings.) (Source: [Commerce/BIS](#))

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## 4. State/DDTC Posts Several DTAG White Papers (Source: [State/DDTC](#), 25 July 2018.)

The Defense Trade Advisory Group (DTAG), a civilian group that advises the State Department's Directorate of Defense Trade Controls (DDTC), submitted the below advisory papers to DDTC:

- [Defense Services Working Group White Paper \(Final\)](#)
- [PPE Exemption Working Group White Paper \(Final\)](#)
- [One-Form Electronic Filing WG -- White Paper & Attachments](#)

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## 5. Hong Kong Publishes Overview of Officers Authorized to Sign on Strategic Commodities Licenses and Delivery Verification Certificates

(Source: [Hong Kong Trade and Industry Department](#), 24 Jul 2018.)

The Trade and Industry Department (TID) of Hong Kong has published an overview of officers authorized to sign on strategic commodities licenses and delivery verification certificates under import and export ordinance, cap 60 import and export (strategic commodities) regulations.

The overview is available [here](#).

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NEWS

## 6. Expeditors News: "Canadian Government Publishes Process for Remission of Surtaxes on Goods from the U.S." (Source: [Expeditors News](#), 24 Jul 2018.)

On July 11, 2018, the Canadian Department of Finance published the process for requesting remission or refunds of surtaxes on products of U.S. origin.

The Canadian Government will take into account the following circumstances when considering a request for remission:

- Situations of short supply in the domestic market, either on a national or regional basis;
- Contractual requirements for Canadian businesses to use U.S. steel or aluminum that exist prior to May 31, 2018;
- Other exceptional circumstances that could have severe adverse impacts on the Canadian economy.

Only companies registered in Canada are eligible to request remission of surtaxes and must submit information outlined in a template for submissions with the request.

The Government of Canada requests that importers submit any inquiries or remission requests to [fin.remissions-remises.fin@canada.ca](mailto:fin.remissions-remises.fin@canada.ca). The Canadian Department of Finance's notice, along with the template for submissions, may be found [here](#).

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## 7. Reuters: "U.S. Gun Control Groups Seek to Block Distribution of 3-D Gun Blueprints" (Source: [Reuters](#), 25 July 2018.)

Three gun control advocacy groups are banding together to try to block the Trump administration from allowing Americans to access blueprints for 3-D printable guns on the internet.

In a July 24 letter to a federal judge in Texas seen by Reuters, the groups said they would seek an injunction to block a company called Defense Distributed from publishing schematic designs for the guns online.

Such postings on the internet have the potential to allow anyone, equipped with a readily accessible 3-D printer, to make their own firearm.

Tuesday's letter was signed by the Brady Center to Prevent Gun Violence, Everytown for Gun Safety and the Giffords Law Center to Prevent Gun Violence.

At issue is a June settlement between Defense Distributed and the U.S. State Department that allows the company to legally publish gun blueprints online, something its website says it plans to do by Aug. 1.

The settlement could "enable terrorists, organized crime syndicates, felons [and] domestic abusers all to get quick, easy access to untraceable guns," said Nick Suplina, managing director of law and policy for Everytown.

Neither the company nor its lawyer immediately replied to a request for comment.

Under the Obama administration, the State Department forced Defense Distributed's founder, Cody Wilson, to remove online gun instructions posted earlier, arguing that they posed a national security risk and violated the International Traffic in Arms Regulations.

Wilson fought the State Department by filing a lawsuit in the U.S. District Court for the District of Western Texas in 2015, saying the government was violating free speech and the right to bear arms guaranteed in the U.S. Constitution.

Since then, the government has prevailed in court, winning at trial and later on appeal. As recently as April, President Donald Trump's Justice Department was still asking the judge to dismiss Wilson's lawsuit.

Critics say there has been no explanation for the June settlement and the administration's abrupt reversal on the issue.

"For some unknown reason, having won every step of the way the government did a 180," said Brady Center co-president Avery Gardiner.

According to terms of the settlement posted online, in addition to letting the company publish its blueprints, the government agreed to pay Defense Distributed nearly \$40,000.

A State Department spokesman said the settlement was voluntarily entered into by both parties.

Under proposed new rules, the State Department will relinquish regulatory oversight over exports of firearms and transfer that authority to the U.S. Commerce Department.

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8. Xinhua: "China Never Steals Other Countries' Technology Through Military-Civilian Integration: FM Spokesperson"  
(Source: [Xinhua](#), 20 Jul 2018.) [Excerpts.]

The [Chinese] Foreign Ministry on Thursday strongly refuted allegations that China stole other countries' technology through military-civilian integration.

"The accusations of the U.S. official against China are totally unfounded and irresponsible, the Chinese side firmly opposes them," Foreign Ministry spokesperson Hua Chunying told a daily press briefing.

Hua made the remarks when asked to comment on a recent speech given by Christopher Ford, the U.S. Assistant Secretary for International Security and Nonproliferation. Ford reportedly openly claimed in the speech that China intended to evade U.S. export control policies, legally or illegally acquire advanced U.S. technology through civil nuclear cooperation, and was dedicated to using military-civil fusion approach for military purposes and great-power competition. ...

China has for years kept a high sense of responsibility and gradually built a perfect system for nonproliferation and export controls, under which, strict measures have been adopted to ensure that relevant regulations are implemented effectively. China has in this way made active efforts and great contribution to safeguarding the international system on nonproliferation and advancing international and regional peace and security. ...

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## COMMENTARY

### 9. D.M. Edelman: "Reminder - First Iran JCPOA Wind Down Period Deadline Approaching- FOREIGN COMPANIES Please Read This"

(Source: [Export Compliance Matters](#), 24 July 2018.)

\* Author: Doreen M. Edelman, Esq., Baker Donelson LLP, 202-508-3460, [dedelman@bakerdonelson.com](mailto:dedelman@bakerdonelson.com).

On May 8, 2018, President Donald Trump announced that the U.S. will withdraw from the Iran nuclear deal, formally known as the Joint Comprehensive Plan of Action (JCPOA), and reimpose the strict economic sanctions program that was in place prior to the landmark 2015 agreement. Based on the guidance issued by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), the reimposed sanctions will impact businesses outside of the U.S. that engage in business with or in Iran, particularly those who do so while also seeking to maintain or establish a U.S. presence or dealings with U.S. companies. The "secondary sanctions" control who those foreign entities can do business with and restrict how foreign entities can utilize the U.S. financial

system. Foreign persons and businesses can also be held liable for causing U.S. persons to violate sanctions regulations.

Two "wind-down" deadline periods were issued by OFAC for U.S. and non-U.S. businesses to cease potentially sanctionable activity in or with Iran:

(1) On August 7, 2018, sanctions will be reimposed on the following:

- The direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;
- Iran's trade in gold or precious metals;
- Significant transactions related to the purchase or sale of Iranian rials, or maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial; and
- Activities in Iran's automotive sector.

(2) On November 4, 2018, sanctions will be reimposed on the following:

- Iran's port operators and shipping sectors, including on the Islamic Republic of Iran Shipping Lines, South Shipping Line Iran, and affiliates;
- Petroleum-related transactions and petrochemical products;
- Transactions by foreign financial institutions with the Central Bank of Iran & others; and
- Activities in Iran's energy sector.

In addition, OFAC is requiring activities conducted under General License H to be wound down by November 4, 2018. If your company is conducting business in the above-listed, soon to be affected sectors, you risk being penalized under U.S. sanctions regulations if you do not cease all sanctionable activity.

If your business engages in or transacts with Iran after the respective wind-down periods, then something as simple as transacting in the U.S. dollar, maintaining U.S. bank accounts, or maintaining a U.S. presence could risk your access to the U.S. financial system and subject you to the sanctions. There is a menu of 12 available sanctions that can be imposed on a foreign business that violates U.S. secondary sanctions regulations, from which the Secretary of State or the Treasury are required to select at least 5 to implement at their discretion:

- (1) Denial of Export-Import Bank loans, credits, or credit guarantees for U.S. exports to the sanctioned entity;
- (2) Denial of licenses for the U.S. export of military or militarily useful technology to the entity;
- (3) Denial of U.S. bank loans exceeding \$10 million in one year to the entity;
- (4) If the entity is a financial institution, a prohibition on its service as a primary dealer in U.S. government bonds; and/or a prohibition on its serving as a repository for U.S. government funds (each counts as one sanction);
- (5) Prohibition on U.S. government procurement from the entity;
- (6) Prohibitions in transactions in foreign exchange by the entity;

- (7) Prohibition on any credit or payments between the entity and any U.S. financial institution;
- (8) Prohibition of the sanctioned entity from acquiring, holding, using, or trading any U.S.-based property which the sanctioned entity has a (financial) interest in;
- (9) Restriction on imports from the sanctioned entity, in accordance with the International Emergency Economic Powers Act;
- (10) A ban on a U.S. person from investing in or purchasing significant amounts of equity or debt instruments of a sanctioned person;
- (11) Exclusion from the United States of corporate officers or controlling shareholders of a sanctioned firm; and/or
- (12) Imposition of any of the ISA sanctions on principal offices of a sanctioned firm.

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## 10. Global Trade News: "Weise Wednesday: Is CBP Taking a Stronger Trade Enforcement Posture Than in the Past?" (Source: [Integration Point Blog](#), 25 July 2018.)

Welcome to Weise Wednesday! Twice a month we will share a brief Q&A with the former U.S. Commissioner of Customs, Mr. George Weise. If you have questions, we encourage you to send them to [AskGeorge@IntegrationPoint.com](mailto:AskGeorge@IntegrationPoint.com).

### **Q. Do you agree that CBP seems to be taking a stronger trade enforcement posture than it has in the past?**

A. Yes, I do. Much of this has resulted from strong Congressional pressure on CBP to enhance its trade enforcement performance. The congressional pressure culminated in the enactment of the Trade Facilitation and Trade Enforcement Act (TFTEA) of 2015. Included within TFTEA was the Enforce and Protect Act (EAPA), which provided broader authority for CBP to investigate allegations of dumping or countervailing duty evasion.

The overall goal of TFTEA is to protect U.S. economic security through more stringent enforcement of anti-dumping and countervailing duty orders, intellectual property rights, and other provisions protecting U.S. economic interests. CBP Commissioner McAleenan has stated that effectively implementing the provisions of TFTEA is a top priority. CBP's strategic plan implementing the law mandates increasing the number of exams and audits, the use of predictive analytics to identify audit targets, and leveraging whistleblowers and intelligence and industry sources to enhance its enforcement efforts.

CBP has implemented electronic filing for EAPA anti-dumping and countervailing duty allegations through its revised e-Allegations portal. CBP has also created a Trade Enforcement Task Force, which works closely with partner government agencies (PGAs) to enhance enforcement of laws

protecting intellectual property rights and the prohibition of goods made with forced labor.

Recent data corroborates that CBP's enhanced enforcement efforts are real. In the last two years, seizures for trade violations have increased by 31%, as have the number of trade audits. Fines and penalties for commercial violations have increased by nearly 68% in the past year.

#### *What increased enforcement means for you*

All of this, coupled with the trend of increasing tariffs and trade retaliation, has made the work of trade compliance professionals extremely challenging. Today, more than ever, it is essential for companies to maintain a formal compliance program with best-in-class processes. You must exercise "reasonable care" in everything you do. It's also important to have an internal training program that reaches all of the key players in the organization and a stringent internal audit program. Finally, global trade management software is essential to cope with this challenging trade environment and drive compliance, security, and efficiency.

#### *Recommended reading*

Several of these topics have been featured in previous *Weise Wednesday* blogposts, linked below.

- [Why do importers need a compliance program?](#)
- [What are the key elements in an effective compliance program?](#)
- [What are CBP's recommended best practices for an effective compliance program?](#)
- [How does CBP determine if an importer has acted with negligence, gross negligence, or fraud?](#)
- [How does CBP determine which companies should be subjected to a Focused Assessment?](#)

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11. K.C. Georgi, R.K. Alberda & L. Hardaway: "OFAC Issues Helpful Guidance regarding North Korea Sanctions for Businesses with Supply Chains in Asia, Middle East, and Africa"

(Source: [Arent Fox LLP](#), 24 Jul 2018.)

\* Authors: Kay C. Georgi, Esq., [kaygeorgi@arentfox.com](mailto:kaygeorgi@arentfox.com); Regan K. Alberda, Esq., [regan.alberda@arentfox.com](mailto:regan.alberda@arentfox.com); and Lamine Hardaway, Associate. All of Arent Fox LLP, Washington DC.

Most US and multi-national corporations are quick to say, "we don't do business with North Korea." However, some companies will recognize the risk of sourcing products from businesses located outside North Korea that

may use North Korean overseas workers or subcontract to North Korean companies. They worry about just how to reduce this risk.

On July 23, 2018, OFAC issued a useful Guidance document that provides businesses a helping hand. It:

(1) Clarifies that the US is not seeking to disrupt the efforts of North Korean refugees and asylum seekers and says that if North Koreans gain another citizenship they are no longer considered North Korean for purposes of US sanctions, in particular, Title III, the Korean Interdiction and Modernization of Sanctions Act of the Countering America's Adversaries through Sanctions Act;

(2) Provides a list of industries and countries in which North Korean laborers working on behalf of the North Korean Government were present in 2017-18 (at page 3). While the list of countries is long, it at least narrows somewhat the supply chain sourcing concerns to certain parts of Asia, Africa, and the Middle East;

(3) Provides in Annex 3 a sectoral breakdown of where North Korean laborers are working on behalf of the North Korean Government overseas by sector. While Annex 3 states that it is NOT a comprehensive list of all countries, jurisdictions and industries, it is helpful in highlighting some higher risk jurisdictions by sector. For example, the Information Technology sector is warned about Angola, Bangladesh, China, Laos, Nigeria, Uganda, and Vietnam; and

(4) Provides in Annex 2 a list of joint ventures that have operated or are currently operating in North Korea established prior to 2016, organized by industry sector. Again, this is not a comprehensive list, nor is it an SDN or blocked parties list, but it is a list that companies evaluating suppliers in Asia and China in particular may wish to check as they evaluate potential suppliers.

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## 12. M. Volkov: "Corporate Character and Lack of Corporate Will"

(Source: Volkov Law Group Blog, 24 July 2018. Reprinted by permission.)

\* Author: Michael Volkov, Esq., Volkov Law Group,  
[mvolkov@volkovlaw.com](mailto:mvolkov@volkovlaw.com), 240-505-1992.

*The right way is not always the popular and easy way. Standing for right when it is unpopular is a true test of moral character.*

-- Margaret Chase Smith

Corporations experience numerous tests of character. Perhaps one of the most important is how the company responds when facing potential misconduct. Too often we read enforcement action factual statements where companies veer off the track and ignore indications of

wrongdoing. This is when a corporation's will is tested. It is the difference between a positive and a negative ethical culture.

It is easy to boil all of this down to "doing the right thing." A simple phrase with powerful implications - companies face important choices all the time, just like each individual whose behaviors together are reflected in corporate conduct.

Let's consider one recent example where the lack of corporate will was evident.

Beam Suntory paid \$8 million to settle with the SEC FCPA violations in India. In calculating the appropriate penalty, the SEC declined to credit Beam for remediation of its compliance program. In the settlement order, the SEC outlined in detail how Beam failed to respond to potential bribery conduct despite numerous early warning signs of such conduct. Beam's failure to act exemplified its lack of courage or its lack of corporate will.

Beam's bribery conduct in India occurred during the period 2006 to 2012.

In 2010, Beam engaged a global accounting firm to conduct a compliance review of Beam India. In early 2011, the accounting firm reported that Beam India executives believed that third-party promoters were making bribery payments to government officials and recommended that Beam conduct and document due diligence to confirm activities by third parties, investigate red flags and discuss legal consideration of third party actions taken on Beam's behalf. After receiving this report, Beam consulted a U.S. law firm, which advised Beam to follow up on these issues.

Beam then retained an Indian law firm to review and expand the work conducted by the accounting firm. The Indian law firm interviewed Beam senior managers who believed that third parties in India may make payments and provide gifts to customs officials. In the end, the Indian law firm confirmed many of the accounting firm recommendations.

Beam then requested its U.S. law firm to review and report on the work done by the Indian law firm. In August 2011, the U.S. law firm reviewed the Indian law firm's report and noted that the Indian law firm did not review Beam's books and records, internal controls or other issues related to accounting practices. In sum, the U.S. law firm confirmed the advice given by the global accounting firm, and the Indian law firm, and proposed additional steps including a financial review, and hiring of a forensic auditor. Beam did not follow any of the recommendations.

In September 2011, the Indian law firm recommended that Beam interview operational employees involved in high risk transactions with third party promoters. Beam again declined to do so.

In November 2011, a former Beam India employee alleged a scheme through which a manager was using false invoices to generate cash. A review completed in March 2012 concluded that the manager was using the

funds to pay bribes over a two-year period for approval of label registrations. Despite reaching this conclusion, Beam did not expand its review to examine other third-party practices.

In July 2012, a former Beam accountant raised similar compliance issues that eventually resulted in the uncovering the full range of conduct that was the subject of the enforcement action.

Beam's course of conduct over nearly two years revealed its unwillingness to investigate and uncover misconduct - no wonder that Beam eventually settled for \$8 million. Beam failed the true test of corporate character.

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#### EDITOR'S NOTES

### 13. Bartlett's Unfamiliar Quotations

(Source: Editor)

- \* **Arthur Balfour** (Arthur James Balfour, 1st Earl of Balfour; 25 Jul 1848 - 19 Mar 1930; was a British statesman of the Conservative Party who served as Prime Minister of the United Kingdom from 1902 to 1905.)
  - *"He has only half learned the art of reading who has not added to it the more refined art of skipping and skimming."*
  - *"I never forgive, but I always forget."*

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### 14. Are Your Copies of Regulations Up to Date?

(Source: Editor)

The official versions of the following regulations are published annually in the U.S. Code of Federal Regulations (C.F.R.), but are updated as amended in the Federal Register. The latest amendments to applicable regulations are listed below.

- \* **ATF ARMS IMPORT REGULATIONS:** 27 CFR Part 447-Importation of Arms, Ammunition, and Implements of War
  - Last Amendment: 15 Jan 2016: 81 FR 2657-2723: Machineguns, Destructive Devices and Certain Other Firearms; Background Checks for Responsible Persons of a Trust or Legal Entity With Respect To Making or Transferring a Firearm.
- \* **CUSTOMS REGULATIONS:** 19 CFR, Ch. 1, Pts. 0-199
  - Last Amendment: 12 Jun 2018: 83 FR 27380-27407: Air Cargo Advance Screening (ACAS)

\* DOD NATIONAL INDUSTRIAL SECURITY PROGRAM OPERATING MANUAL (NISPOM): DoD 5220.22-M

- Last Amendment: 18 May 2016: Change 2: Implement an insider threat program; reporting requirements for Cleared Defense Contractors; alignment with Federal standards for classified information systems; incorporated and cancelled Supp. 1 to the NISPOM (Summary [here](#).)

\* EXPORT ADMINISTRATION REGULATIONS (EAR): 15 CFR Subtit. B, Ch. VII, Pts. 730-774

- Last Amendment: 6 June 2018: 83 FR 26204-26205: Unverified List (UVL); Correction

\* FOREIGN ASSETS CONTROL REGULATIONS (OFAC FACR): 31 CFR, Parts 500-599, Embargoes, Sanctions, Executive Orders

- Last Amendment: 29 June 2018: 83 FR 30541-30548: Global Magnitsky Sanctions Regulations; and 83 FR 30539-30541: Removal of the Sudanese Sanctions Regulations and Amendment of the Terrorism List Government Sanctions Regulations

\* FOREIGN TRADE REGULATIONS (FTR): 15 CFR Part 30

- Last Amendment: 24 Apr 2018: 3 FR 17749-17751: Foreign Trade Regulations (FTR): Clarification on the Collection and Confidentiality of Kimberley Process Certificates

- HTS codes that are not valid for AES are available [here](#).

- The latest edition (30 Apr 2018) of *Bartlett's Annotated FTR* ("BAFTR"), by James E. Bartlett III, is available for downloading in Word format. The BAFTR contains all FTR amendments, FTR Letters and Notices, a large Index, and approximately 250 footnotes containing case annotations, practice tips, Census/AES guidance, and explanations of the numerous errors contained in the official text. Subscribers receive revised copies in Microsoft Word every time the FTR is amended. The BAFTR is available by annual subscription from the Full Circle Compliance [website](#). BITAR subscribers are entitled to a 25% discount on subscriptions to the BAFTR. Government employees (including military) and employees of universities are eligible for a 50% discount on both publications at [www.FullCircleCompliance.eu](http://www.FullCircleCompliance.eu).

\* HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES (HTS, HTSA or HTSUSA), 1 Jan 2018: 19 USC 1202 Annex. ("HTS" and "HTSA" are often seen as abbreviations for the Harmonized Tariff Schedule of the United States Annotated, shortened versions of "HTSUSA".)

- Last Amendment: 8 Jun 2018: Harmonized System Update 1809, containing 901 ABI records and 192 harmonized tariff records.

- HTS codes for AES are available [here](#).

- HTS codes that are not valid for AES are available [here](#).

\* INTERNATIONAL TRAFFIC IN ARMS REGULATIONS (ITAR): 22 C.F.R. Ch. I, Subch. M, Pts. 120-130.

- Last Amendment: 14 Feb 2018: 83 FR 6457-6458: Amendment to the International Traffic in Arms Regulations: Addition of South Sudan [Amends ITAR Part 126.]

- The only available fully updated copy (latest edition: 25 Apr 2018) of the ITAR with all amendments is contained in *Bartlett's Annotated ITAR* ("BITAR"), by James E. Bartlett III. The BITAR contains all ITAR amendments to date, plus a large Index, over 800 footnotes containing amendment histories, case annotations, practice tips, DDTC guidance, and explanations of errors in the official ITAR text. Subscribers receive updated copies of the BITAR in Word by email, usually revised within 24 hours after every ITAR amendment. The BITAR is available by annual subscription from the Full Circle Compliance website. BAFTR subscribers receive a 25% discount on subscriptions to the BITAR, please [contact us](#) to receive your discount code.

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## 15. Weekly Highlights of the Daily Bugle Top Stories (Source: Editor)

Review last week's top Ex/Im stories in "Weekly Highlights of the Daily Bugle Top Stories" published [here](#).

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## EDITORIAL POLICY

\* The Ex/Im Daily Update is a publication of FCC Advisory B.V., compiled by: Editor, James E. Bartlett III; Assistant Editors, Alexander P. Bosch and Vincent J.A. Goossen; and Events & Jobs Editor, John Bartlett. The Ex/Im Daily Update is emailed every business day to approximately 8,000 readers of changes to defense and high-tech trade laws and regulations. We check the following sources daily: Federal Register, Congressional Record, Commerce/AES, Commerce/BIS, DHS/CBP, DOE/NRC, DOJ/ATF, DoD/DSS, DOD/DTSA, FAR/DFARS, State/DDTC, Treasury/OFAC, White House, and similar websites of Australia, Canada, U.K., and other countries and international organizations. Due to space limitations, we do not post Arms Sales notifications, Denied Party listings, or Customs AD/CVD items.

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**From:** Jim Bartlett, Full Circle Compliance ("FCC") [REDACTED]@fullcirclecompliance.eu  
**Sent:** 7/27/2018 8:25:35 PM  
**To:** Abraham, Liz (Federal) [LAbraham@doc.gov]  
**Subject:** 18-0727 Friday "Daily Bugle"



# THE DAILY BUGLE

Friday, 27 July 2018

The Daily Bugle is a free daily newsletter from Full Circle Compliance, containing changes to export/import regulations (ATF, DOE/NRC, Customs, NISPOM, EAR, FACR/OFAC, FAR/DFARS, FTR/AES, HTSUS, and ITAR), plus news and events. Subscribe [here](#) for free subscription. Contact us for advertising inquiries and rates.

## ITEMS FROM FEDERAL REGISTER

1. [DoD/DSS Seeks Comments on Certificate Pertaining to Foreign Interest](#)

## OTHER GOVERNMENT SOURCES

2. [Items Scheduled for Publication in Future Federal Register Editions](#)
3. [Commerce/BIS: \(No new postings.\)](#)
4. [DHS/ICE Removes British Man Convicted in Conspiracy to Illegally Export Sensitive Technologies to Syria](#)
5. [State/DDTC Posts DTAG Tasking Letter](#)
6. [State/DDTC Posts Public Comments on USML Categories I-III](#)
7. [Global Affairs Canada: "Canada's Continued Trade Relationship with the United Kingdom Post-Brexit"](#)
8. [EU Posts Corrections Concerning Restrictive Measures Against Syria](#)

## NEWS

9. [ST&R Trade Report: "Dates and Deadlines: COAC Meeting, Drawback, 232/301 Tariffs, AD/CV Distributions"](#)
10. [WorldECR News Alert, 27 July 2018](#)

## COMMENTARY

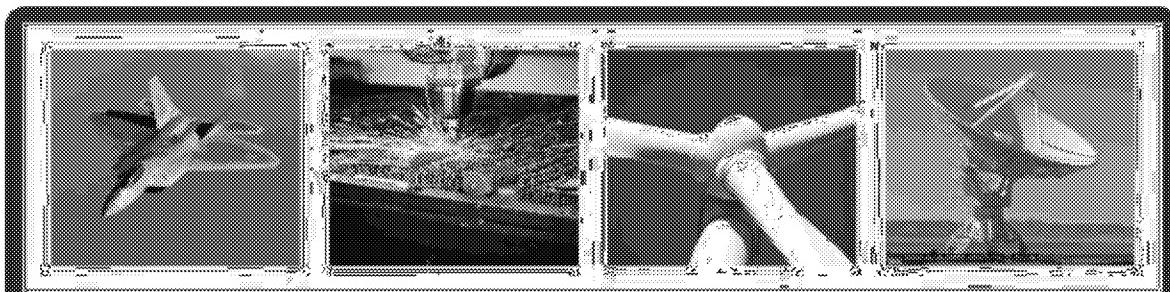
11. [M. Volkov: "Corporate Doublespeak: A Bribe is a Bribe"](#)

## EXIM TRAINING EVENTS & CONFERENCES

12. [List of Approaching Events](#)

**EDITOR'S NOTES**

13. [Bartlett's Unfamiliar Quotations](#)
14. [Are Your Copies of Regulations Up to Date? Latest Amendments: ATF \(15 Jan 2016\), Customs \(12 Jun 2018\), DOD/NISPOM \(18 May 2016\), EAR \(6 Jun 2018\), FACR/OFAC \(29 Jun 2018\), FTR \(24 Apr 2018\), HTSUS \(8 Jun 2018\), ITAR \(14 Feb 2018\)](#)
15. [Weekly Highlights of the Daily Bugle Top Stories](#)



## Awareness Course U.S. Export Controls ITAR & EAR from a Non-U.S. Perspective

Tuesday, 2 October 2018, Landgoed Graanhoven, Bruchem, the Netherlands



Full Circle

**ITEMS FROM TODAY'S FEDERAL REGISTER**

### 1. DoD/DSS Seeks Comments on Certificate Pertaining to Foreign Interest (Source: [Federal Register](#), 27 July 2018.)

87 FR 35624-35625: Submission for OMB Review; Comment Request

\* AGENCY: Defense Security Service, DoD.

\* ACTION: 30-Day information collection notice. ...

\* DATES: Consideration will be given to all comments received by August 27, 2018.

\* ADDRESSES: Comments and recommendations on the proposed information collection should be emailed to Ms. Jasmeet Seehra, DoD Desk Officer, at [oir\\_submission@omb.eop.gov](mailto:oir_submission@omb.eop.gov). Please identify the proposed information collection by DoD Desk Officer, Docket ID number, and title of the information collection.

\* FOR FURTHER INFORMATION CONTACT: Fred Licari, 571-372-0493, or [whs.mc-alex.esd.mbx.dd-dod-information-collections@mail.mil](mailto:whs.mc-alex.esd.mbx.dd-dod-information-collections@mail.mil).

\* SUPPLEMENTARY INFORMATION:

- Title; Associated Form; and OMB Number: Certificate Pertaining to Foreign Interest; SF328; OMB Control Number 0704-XXXX.

- Type of Request: New. ...

- Needs and Uses: Completion of the SF 328 (which will be designated as a Common Form allowing its use by other federal agencies) and submission of supporting documentation (e.g., company or entity charter documents, board meeting minutes, stock or securities information, descriptions of organizational structures, contracts, sales, leases and/or loan agreements and revenue documents, annual reports and income statements, etc.) is part of the eligibility determination for access to classified information and/or issuance of a Facility Clearance. ...

Requests for copies of the information collection proposal should be sent to Mr. Licari at [whs.mc-alex.esd.mbx.dd-dod-information-collections@mail.mil](mailto:whs.mc-alex.esd.mbx.dd-dod-information-collections@mail.mil).

Dated: July 23, 2018.

Aaron T. Siegel, Alternate OSD Federal Register Liaison Officer, Department of Defense.

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## OTHER GOVERNMENT SOURCES

### 2. Items Scheduled for Publication in Future Federal Register Editions

(Source: [Federal Register](#))

\* Nuclear Regulatory Commission; NOTICES; Agency Information Collection Activities; Proposals, Submissions, and Approvals: Facility Security Clearance and Safeguarding of National Security Information and Restricted Data [Publication Date: 30 July 2018.]

\* U.S. Customs and Border Protection; PROPOSED RULES; Modernized Drawback [Publication Date: 2 August 2018.]

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### 3.

Commerce/BIS: (No new postings.)

(Source: [Commerce/BIS](#))

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#### 4. DHS/ICE Removes British Man Convicted in Conspiracy to Illegally Export Sensitive Technologies to Syria (Source: [DHS/ICE](#) , 27 July 2018.)

A British man was successfully repatriated back to the United Kingdom by U.S. Immigration and Customs Enforcement's (ICE) Enforcement and Removal Operations (ERO) officers July 24, following his conviction for involvement in a conspiracy to illegally export sensitive technologies to Syria, subsequent to an investigation by ICE's Homeland Security Investigations (HSI) with support from the Department of Commerce's Office of Export Enforcement.

A [federal indictment](#) was unsealed in April 2014, charging a Pennsylvania resident, a United Kingdom citizen and a Syrian citizen, for their alleged involvement in a conspiracy to illegally export laboratory equipment, including items used to detect chemical warfare agents, from the United States to Syria.

Ahmad Feras Diri, 43, of London, was sentenced to a 37-month term of imprisonment, a \$100 special assessment, and ordered to forfeit \$45,698 to the U.S. government. Diri was arrested by the Metropolitan Police in London March 14, 2013, and extradited to the United States on charges filed in the Middle District of Pennsylvania. He recently completed his prison term.

Another defendant, Harold Rinko, of Hallstead, Susquehanna County, Pennsylvania, was sentenced Oct. 13, 2015, to a term of time served, 12 months of home confinement, a fine of \$2,600, a term of supervised release of two years, and was ordered to forfeit \$45,698 to the government.

A third defendant, Moawea Deri, a citizen of Syria, remains a fugitive from justice.

Rinko operated an export business in Hallstead, Pennsylvania, and conspired with Diri to ship items purchased by customers in Syria in violation of U.S. law. The three men conspired to export various items from the United States, through third party countries to customers in Syria. The conspirators prepared false invoices which undervalued and mislabeled the goods being purchased and also listed false information as to the identity and geographic location of the purchasers of the goods. The items would be shipped from the United States to Jordan, the United Arab Emirates, and the United Kingdom, and thereafter transshipped to Syria. One such item is described in communications between the conspirators as "a portable multi-gas scanner for the detection of chemical warfare agents. Nerve, blood and lung warfare agents are detected using a highly sensitive ion mobility spectrometer."

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#### 5. State/DDTC Posts DTAG Tasking Letter (Source: [State/DDTC](#) , 27 July 2018.) [Excerpts.]

Dear Ms. Dynes:

Since the last Defense Trade Advisory Group ("DTAG") plenary meeting in May 2018, the Directorate of Defense Trade Controls (DDTC) has determined that it can benefit from input from the various working groups of the DTAG on the issues addressed in the attached.

The DTAG should be prepared to present its recommendations or the current status of the DTAG work on each topic at the next DTAG plenary session, which is scheduled for 25 October 2018.

As we did in advance of the May meeting, we would be pleased to meet with you and the Vice-Chair to walk through each of the topics in the attached.

Sincerely,

Anthony M. Dearth  
*Chief of Staff*  
*Directorate of Defense Trade Controls*  
*Alternate Designated Federal Official*

- [Attachment - DDTC Issued DTAG Tasks \(July 2018\)](#)

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## 6. State/DDTC Posts Public Comments on USML Categories I-III

(Source: [State/DDTC](#), 25 July 2018.)

The public comments to the proposed revision of United States Munitions List ("USML") Categories I-III can be found [here](#) in PDF format.

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## 7. Global Affairs Canada: "Canada's Continued Trade Relationship with the United Kingdom Post-Brexit"

(Source: [Canada Gazette](#), 28 July 2018.)

On March 29, 2017, the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the United Kingdom") invoked Article 50 of the Lisbon Treaty and notified the European Council of its intention to withdraw from the European Union on March 30, 2019. This withdrawal from the European Union is also known as "Brexit".

Through this notice, the Government of Canada wishes to inform Canadians of the expected change to the scope of application of the Comprehensive Economic and Trade Agreement (hereinafter referred to as "CETA") between Canada and the European Union, resulting from the United Kingdom's

withdrawal from the European Union, as well as of Canada's continued engagement with the United Kingdom on trade issues.

At the time of the United Kingdom's departure from the European Union, the United Kingdom will cease to be considered a party to the European Union treaties and, thus, will lose those treaties' benefits and obligations. This withdrawal will affect all treaties between Canada and the European Union, including CETA, which has been provisionally applied since September 21, 2017.

International trade is a key driver of economic growth, contributing to a prosperous middle class. The Government of Canada is committed to maintaining predictable and stable trade relations with the United Kingdom following its withdrawal from the European Union. Since countries' future trade relations with the United Kingdom will be affected by the outcome of the ongoing negotiations between the United Kingdom and the European Union, Canada is closely following those negotiations and is hopeful that the parties will reach an agreement soon.

One of the possible outcomes of the terms of the United Kingdom's withdrawal from the European Union includes the possibility for a time-limited transition period following Brexit during which the United Kingdom would, in some aspects, continue to be treated like a Member State of the European Union. Depending on the details and other outcomes of such a transition period, Canada would consent to the United Kingdom remaining party to CETA and all other Canada-European Union agreements.

Should the European Union and the United Kingdom not reach an agreement on their future relationship in time for Brexit, the Government of Canada is discussing a transitional agreement with the United Kingdom that will allow a seamless transition of CETA, while respecting the United Kingdom's lack of jurisdiction to negotiate free trade agreements while it is a Member State of the European Union. Post-Brexit, once the United Kingdom has the legal competence to negotiate trade agreements, Canada will work with the United Kingdom to ensure we take full advantage of our particular bilateral trade relationship.

The United Kingdom is an important trading partner for Canada. The United Kingdom is Canada's largest trading partner in the European Union, and fifth on a global basis.

- Bilateral merchandise trade between our nations valued nearly \$27 billion in 2017, with Canadian exports reaching nearly \$18 billion, and imports nearly reaching \$9 billion.
- The United Kingdom is also Canada's number one investment destination in the European Union, and second on a global basis.
- Canadian direct investment in the United Kingdom was valued at nearly \$103 billion, and United Kingdom foreign direct investment in Canada reached over \$47 billion, at the end of 2017.

- The United Kingdom was Canada's second-largest destination for services exports, valued over \$6 billion in 2017. The same year, Canada's services imports from the United Kingdom were valued over \$8 billion.

The Government of Canada will continue to inform Canadians as it continues to actively engage the European Union and the United Kingdom in an effort to minimize disruptions from Brexit for Canadians.

For more information, consult the [CETA web page](#).

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## 8. EU Posts Corrections Concerning Restrictive Measures Against Syria

(Source: [Official Journal of the European Union](#), 27 July 2018.)

*Corrigenda:*

- \* [Corrigendum to Council Regulation \(EU\) No 36/2012 of 18 January 2012 concerning restrictive measures in view of the situation in Syria and repealing Regulation \(EU\) No 442/2011](#)
- \* [Corrigendum to Council Decision 2013/255/CFSP of 31 May 2013 concerning restrictive measures against Syria](#)

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## NEWS

### 9. ST&R Trade Report: "Dates and Deadlines: COAC Meeting, Drawback, 232/301 Tariffs, AD/CV Distributions"

(Source: [Sandler, Travis & Rosenberg Trade Report](#), 27 July 2018.)

Following are highlights of regulatory effective dates and deadlines, federal agency meetings, and other trade-related events coming up in the next week.

- 30 Jul: deadline for submitting claims to CBP for [distributions of AD/CV duties under Byrd Amendment](#)
- 31 Jul: deadline for requesting [administrative reviews of AD/CV duty orders](#)
- 1 Aug: meeting of [Commercial Customs Operations Advisory Committee](#)
- 2 Aug: deadline for comments to ITC on request for [IPR import restrictions on lithography machines](#)
- 3 Aug: deadline for comments to ITC on potential [IPR import restrictions for robotic vacuums](#)

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## 10. WorldECR News Alert, 27 July 2018

(Source: [WorldECR](#), 27 July 2018.)

- (1) US issues advice on how to keep North Korea out of your supply chain
- (2) UK OGEL security clarification issued
- (3) Cryptocurrency could help Iran evade sanctions
- (4) DDTC publishes comments on revision of USML categories, I, II, III
- (5) Turkey faces 'large sanctions' over pastor imprisonment

[Editor's Note: [Click here](#) to find information on how to subscribe to *WorldECR*, the journal of export controls and sanctions.]

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## COMMENTARY

### 11. M. Volkov: "Corporate Doublespeak: A Bribe is a Bribe"

(Source: [Volkov Law Group Blog](#), 27 July 2018. Reprinted by permission.)

\* Author: Michael Volkov, Esq., Volkov Law Group, [mvolkov@volkovlaw.com](mailto:mvolkov@volkovlaw.com), 240-505-1992.

Language communicates more than just words - indeed, the use of language reflects much more than simple communication. Often, a person's language reveals an attitude, a feeling, a perspective, and much more about a person. To me, I am often struck how language is used by corporations to mask a clear and distinct idea. Corporate speak is a language unto itself, and can reflect a company's culture, and its commitment to honesty, trust and integrity.

Forgive me for questioning the use of corporate language but when I read phrases such as "improper payments," "Questionable payments," and other equally vague terms used to describe flat out bribes, I question the need for companies to avoid using accurate language. My overriding question in these circumstances is why can't the company use straightforward language?

A bribe is a bribe and no matter how you characterize the payment, it is still a bribe. Of course, I recognize that in order to violate the FCPA or domestic bribery laws a payment must be made with "corrupt" intent. In the FCPA context, a payment must be made with intent to influence a foreign official to act contrary to his or her official duties. Assuming that a payment is made with the requisite intent, such a payment constitutes a bribe.

Companies that are reluctant or unwilling to use straightforward language may choose to avoid clear and concise language. Such an attitude may reflect the company's unwillingness to face the implications of an employee complaint, apparent misconduct by officers or employees, or other problems.

The importance of language is perhaps best illustrated when companies choose to define their corporate values. The words selected by a company help to define the company's culture and has an impact on every employee. The specific words used by the company are perceived by employees in a manner that ultimately is translated into employee beliefs and conduct.

Google relies on a creative mantra - "Ten things we know to be true." ([Here](#)).

The Container Store describes a "Man in the Desert" metaphor to promote effective sales and strong leadership traits. ([Here](#)).

Corporate communications should always focus on the positive rather than informing employees what not to do. People respond to optimism and avoid negative communications. Corporate language should always fit a company's culture - bland statements of encouragement may sound positive but, in the end, fail to motivate employees.

Corporate language should weave in stories or vignettes that exemplify company values and objectives. Employees respond to goals, leadership and encouragements.

The new generation of business leaders and employees is beginning to question the use of corporate-speak, or bland business language. The focus is fast becoming the link between language and a company's culture. New leaders are rethinking the bland use of corporate language that extracts concepts typically used in day-to-day life in the corporate world. Some are advocating for replacing corporate-speak with a human voice in a company, encouraging employees to speak to each other as humans not as employees wedded to intra-company formalities. This trend is interesting to observe and may eventually lead to honest, open and concise language used by corporate leaders and employees. There is no reason that all corporate communications have to be conducted in a formal manner designed to avoid everyday expressions.

Going back to my original point in this posting - formality in describing a bribe reinforces the lack of clarity in corporate communications and the language used among leaders and employees.

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## EX/IM TRAINING EVENTS & CONFERENCES

### 12. List of Approaching Events (Sources: Editor and Event Sponsors)

Published every Friday or last publication day of the week, our overview of Approaching Events is organized to list continuously available training, training events, seminars & conferences, and webinars.

Please, submit your event announcement to John Bartlett, Events & Jobs Editor (email: [jwbartlett@fullcirclecompliance.eu](mailto:jwbartlett@fullcirclecompliance.eu)), composed in the below format:

# DATE: LOCATION; "EVENT TITLE"; EVENT SPONSOR; WEBLINK;  
CONTACT DETAILS (email and/or phone number)

"#" = New or updated listing

### ***Continuously Available Training***

- \* E-Seminars: "[US Export Controls](#)" / "[Defense Trade Controls](#)"; Export Compliance Training Institute; [danielle@learnexportcompliance.com](mailto:danielle@learnexportcompliance.com)
- \* Webinar: "[Company-Wide US Export Controls Awareness Program](#)"; Export Compliance Training Institute; [danielle@learnexportcompliance.com](mailto:danielle@learnexportcompliance.com)
- \* E-Seminars: "[ITAR/EAR Awareness](#)"; Export Compliance Solutions; [spalmer@exportcompliancesolutions.com](mailto:spalmer@exportcompliancesolutions.com)
- \* Online: "[Simplified Network Application Process Redesign \(SNAP-R\)](#)"; Commerce/BIS; 202-482-2227
- \* E-Seminars: "[Webinars On-Demand Library](#)"; Sandler, Travis & Rosenberg, P.A.
- \* Online: "[International Trade Webinars](#)"; Global Training Center
- \* Online: "[On-Demand Webinars](#)"; "General Training"; Center for Development of Security Excellence; Defense Security Service (DSS)
- \* Online: "[ACE Reports Training and User Guide](#)"; DHS/CBP
- \* Online: "[Increase Your International Sales - Webinar Archive](#)"; U.S. Commercial Service
- \* Web Form: "[Compliance Snapshot Assessment](#)"; Commonwealth Trading Partners (CTP)
- \* Online: "[Customs Broker Exam Prep Course](#)"; The Exam Center

### ***Seminars and Conferences***

- \* Jul 30-31: Dallas, TX; "[GTEC - Global Trade Educational Conference 2018](#)"; Foreign Trade Association/ National Customs Broker & Freight Forwarder Association of America (NCBFAA)
- \* Jul 30-Aug 3: Chicago, IL; "[Import 5-Day Boot Camp](#)"; Global Trade Academy
- \* Jul 30-Oct 8: Wilmington, CA; "[Customs Broker License Examination Course](#)"; Foreign Trade Association; (Classes run on Monday for 11 weeks)
- \* Aug 1: Birmingham, UK; "[An Introduction to Exporting](#)"; UK Institute of Export and International Trade
- \* Aug 1-3: Washington, D.C.; "[NSSF and Fair Trade Import/Export Conference](#)"; NSSF
- \* Aug 6: Detroit, MI; "[Export Compliance and Controls](#)"; Global Trade Academy
- \* Aug 7: Detroit, MI; "[Export Controls Specialist - Certification](#)"; Global Trade Academy

- \* Aug 7-9: Detroit, MI; "Export Controls Specialist - Certification"; Global Trade Academy
- \* Aug 7: Orlando, FL; "Import Documentation and Procedures Seminar"; International Business Training
- \* Aug 8: Orlando, FL; "Export Documentation and Procedures Seminar"; International Business Training
- \* Aug 14-15: Milpitas, CA; "Complying with US Export Controls"; Bureau of Industry and Security
- \* Aug 14-15: Atlanta, GA; "2018 Trade Symposium"; U.S. Customs and Border Protection
- \* Aug 15: Minneapolis, MN; "Export Documentation and Procedures Seminar"; International Business Training
- \* Aug 16: Indianapolis, IN; "Export Documentation and Procedures Seminar"; International Business Training
- \* Aug 16: Milpitas, CA; "Encryption Controls"; Bureau of Industry and Security
- \* Aug 16: Minneapolis, MN; "Incoterms 2010: Terms of Sale Seminar"; International Business Training
- \* Aug 17: Indianapolis, IL; "Incoterms 2010: Terms of Sale Seminar"; International Business Training
- \* Aug 20: Cincinnati, OH; "Export Documentation and Procedures Seminar"; International Business Training
- # Aug 21: Leeds, UK; "Understanding Exporting"; Chamber International
- # Aug 22: London, UK; "Advanced Exporting"; UK Institute of Export and International Trade
- \* Aug 22: Minneapolis, MN; "Import Documentation and Procedures Seminar"; International Business Training
- \* Aug 23: Cincinnati, OH; "Import Documentation and Procedures Seminar"; International Business Training
- \* Aug 24: Houston, TX; "Export Documentation and Procedures Seminar"; International Business Training
- # Aug 29: Leeds, UK; "Understanding Incoterms"; Chamber International
- # Sep 3: Edinburgh, UK; "Intermediate Seminar"; UK Department for International Trade
- # Sep 4: Edinburgh, UK; "Beginner's Workshop"; UK Department for International Trade
- # Sep 4: Edinburgh, UK; "Control List Classification - Combined Dual Use and Military"; UK Department for International Trade
- # Sep 4: Edinburgh, UK; "Licenses Workshop"; UK Department for International Trade
- # Sep 4: Leeds, UK; "Methods of Payment & Letters of Credit"; Chamber International
- # Sep 4: London, UK; "An Introduction to Exporting"; UK Institute of Export and International Trade
- # Sep 5: Aberdeen, UK; "Beginner's Workshop"; UK Department for International Trade
- # Sep 5: Aberdeen, UK; "Intermediate Seminar"; UK Department for International Trade
- # Sep 6: Aberdeen, UK; "Licenses Workshop"; UK Department for International Trade

- \* Sep 11-13: Annapolis, MD; "Defense Industry Experts and ITAR/EAR Boot Camp"; Export Compliance Solutions; [spalmer@exportcompliancesolutions.com](mailto:spalmer@exportcompliancesolutions.com); 866-238-4018
- \* Sep 11-13: Detroit, MI; "Export Controls Specialist Certification"; Global Trade Academy
- # Sep 11: Leeds, UK; "Export Documentation and Export Procedures"; Chamber International
- \* Sep 12: Buffalo, NY; "Export Documentation and Procedures Seminar"; International Business Training
- \* Sep 12-13: Springfield, RI; "Complying with US Export Controls"; Bureau of Industry and Security
- \* Sep 12-19: Chicago, IL; "Import 5-Day Boot Camp"; Global Trade Academy
- \* Sep 13: Buffalo, NY; "Import Documentation and Procedures Seminar"; International Business Training
- \* Sep 13: Frankfurt, Germany; "BAFA/U.S. Export Control Seminar 2018";
- \* Sep 13-17: Galveston, TX (Cruise); "ICPA @ SEA!"; International Compliance Professionals Association (ICPA)
- \* Sep 16-19: Atlanta, GA; "2018 Annual Conference and Exposition"; National Association of Foreign Trade Zones (NAFTZ)
- \* Sep 17: Los Angeles, CA; "Import Compliance"; Global Trade Academy
- \* Sep 17-20: Columbus, OH; "University Export Controls Seminar at The Ohio State University in Columbus"; Export Compliance Training Institute (ECTI); [jessica@learnexportcompliance.com](mailto:jessica@learnexportcompliance.com); 540-433-3977
- \* Sep 17-21: Los Angeles, CA; "Import 5-Day Boot Camp"; Global Trade Academy
- \* Sep 18: Anaheim, CA; "Import Documentation and Procedures Seminar"; International Business Training
- \* Sep 18: Los Angeles, CA; "Tariff Classification for Importers and Exporters"; Global Trade Academy
- # Sep 18-19: London, UK; "Decoding Trade Controls, Sanctions And Regulations On Dual-Use Goods"; KNect365
- \* Sep 18: San Diego, CA; "12th Annual CompTIA Global Trade Compliance Best Practices Conference"; CompTIA
- \* Sep 19: Washington, D.C.; "DDTC In-House Seminar"; Department of State (Registration: Aug 10 - Aug 31; first come, first served)
- \* Sep 19: Los Angeles, CA; "NAFTA and Trade Agreements"; Global Trade Academy
- \* Sep 19-20: Rome, Italy; "Defense Exports 2018"; SMI
- \* Sep 19-20: Los Angeles, CA; "Complying With U.S. Export Controls"; BIS
- \* Sep 20: Pittsburgh, PA; "Export Documentation and Procedures Seminar"; International Business Training
- \* Sep 20: Los Angeles, CA; "Country and Rules of Origin"; Global Trade Academy
- \* Sep 21: Los Angeles, CA; "Customs Valuation - The Essentials"; Global Trade Academy
- \* Sep 21: Pittsburgh, PA; "Incoterms 2010: Terms of Sale Seminar"; International Business Training
- \* Sep 21-24: Detroit, Michigan; "Best Customs Broker Exam Course"; GRVR Attorneys
- # Sep 24: Seligenstadt, Germany; "Follow-Up Fachtagung"; FALEX

- \* Sep 25-26; Chicago, IL; "Financial Crime Executive Roundtable"; American Conference Institute
- \* Sep 25: Kansas City, MO; "Import Documentation and Procedures Seminar"; International Business Training
- # Sep 25: Leeds, UK; "Understanding Exporting & Incoterms"; Chamber International
- \* Sep 25-26: San Francisco, CA; "11th West Coast Conference on FCPA Enforcement and Compliance"; American Conference Institute
- \* Sep 25-26: Toronto, Canada; "4th Forum on Economic Sanctions and Compliance Enforcement"; C5 Group
- \* Sep 26: Kansas City, MO; "Export Documentation and Procedures Seminar"; International Business Training
- \* Sep 26: McLean, VA; "EAR Basics"; FD Associates
- \* Sep 26: Oxford, UK; "Intermediate Seminar"; UK Department for International Trade
- \* Sep 27: Oxford, UK; "Beginner's Workshop"; UK Department for International Trade
- \* Sep 27: Oxford, UK; "Licenses Workshop"; UK Department for International Trade
- \* Sep 27: Oxford, UK; "Control List Classification - Combined Dual Use and Military"; UK Department for International Trade
- \* Sep 28: Anaheim, CA; "Export Documentation and Procedures Seminar"; International Business Training
- \* Oct 1-4: Austin, TX; "ITAR Defense Trade Controls / EAR Export Controls Seminar"; ECTI; [jessica@learnexportcompliance.com](mailto:jessica@learnexportcompliance.com); 540-433-3977
- \* Oct 2: Bruchem, Netherlands; "Awareness Course U.S. Export Controls: ITAR & EAR From a Non-U.S. Perspective"; Full Circle Compliance
- # Oct 2: Leeds, UK; "Export Documentation"; Chamber International
- \* Oct 5: Boston, MA; "Incoterms 2010: Terms of Sale Seminar"; International Business Training
- \* Oct 5: Boston, MA; " Incoterms: A Strategic Approach"; International Business Training
- \* Oct 9: New Orleans, LA; "Import Documentation and Procedures Seminar"; International Business Training
- \* Oct 11: New Orleans, LA; "Export Documentation and Procedures Seminar"; International Business Training
- # Oct 11: Rotterdam, NL; "Trade Compliance Congress"; SDU, Customs Knowledge, and EvoFenedex
- \* Oct 12: New Orleans, LA; "Incoterms 2010: Terms of Sale Seminar"; International Business Training
- \* Oct 15-18: Amsterdam, NL; "US Export Controls on Non-US Transactions - EAR, ITAR, OFAC Regulations Impact for EU, NL, UK & other Non-US Companies"; ECTI; [jessica@learnexportcompliance.com](mailto:jessica@learnexportcompliance.com); 540-433-3977
- \* Oct 15-19: Chicago, IL; "Certified Classification Specialist"; Global Trade Academy
- \* Oct 16-18: Dallas, TX; "Partnering for Compliance West Export/Import Control Training and Education Program"; Partnering for Compliance
- \* Oct 18-19: McLean, VA; "ITAR Fundamentals"; FD Associates
- \* Oct 19: Dallas TX; "Customs/Import Boot Camp"; Partnering for Compliance
- \* Oct 21-23: Grapevine, TX; "2018 Fall Conference"; International Compliance Professionals Association (ICPA)

- \* Oct 22-26: Dallas, Texas; "Best Customs Broker Exam Course"; GRVR Attorneys
- \* Oct 22-23: Arlington, VA; "2018 Fall Advanced Conference"; Society for International Affairs (SIA)
- \* Oct 24: Leeds, UK; "Intermediate Seminar"; UK Department for International Trade
- \* Oct 25: Leeds, UK; "Beginner's Workshop"; UK Department for International Trade
- \* Oct 25: Leeds, UK; "Licenses Workshop"; UK Department for International Trade
- \* Oct 25: Leeds, UK; "Control List Classification - Combined Dual Use and Military"; UK Department for International Trade
- \* Oct 26: Louisville, KY; "Incoterms 2010: Terms of Sale Seminar"; International Business Training
- \* Oct 26: Milwaukee, WI; "Incoterms: A Strategic Approach"; International Business Training
- \* Oct 29 - Nov 1: Phoenix, AZ; ITAR Defense Trade Controls / EAR Export Controls Seminar"; ECTI; [jessica@learnexportcompliance.com](mailto:jessica@learnexportcompliance.com); 540-433-3977
- \* Oct 29: Seattle, WA; "Export Compliance & Controls 101"; Global Trade Academy
- \* Oct 30 - Nov 1: Seattle, WA; "Export Controls Specialist - Certification"; Global Trade Academy
- # Oct 31 - Nov 1: Singapore; "7th Asia Summit on Anti-Corruption"; American Conference Institute
- \* Nov 6: Detroit, MI; "Classification: How to Classify Parts"; Global Trade Academy
- \* Nov 7: Detroit, MI; "Advanced Classification of Machinery and Electronics"; Global Trade Academy
- \* Nov 7-9: London, UK; "TRACE European Forum, 2018"; TRACE Anti-Bribery Compliance Solutions
- \* Nov 7-9: Detroit, MI; "Advanced Classification for Machinery & Electronics"; Global Trade Academy
- # Nov 8-9: Shanghai, China; "ICPA China Conference"; International Compliance Professionals Association
- \* Nov 12-15: Washington, D.C.; "ITAR Defense Trade Controls / EAR Export Controls Seminar"; ECTI; [jessica@learnexportcompliance.com](mailto:jessica@learnexportcompliance.com); 540-433-3977
- \* Nov 13: Tysons Corner, VA; "Made in America, Buy America, or Buy American: Qualify your Goods and Increase Sales"; Global Trade Academy
- \* Nov 14: Manchester, UK; "Intermediate Seminar"; UK Department for International Trade
- \* Nov 15: Manchester, UK; "Beginner's Workshop"; UK Department for International Trade
- \* Nov 15: Manchester, UK; "Licenses Workshop"; UK Department for International Trade
- \* Nov 15: Manchester, UK; "Control List Classification - Combined Dual Use and Military"; UK Department for International Trade
- \* Nov 15: McLean, VA; "ITAR For the Empowered Official"; FD Associates
- \* Nov 16, San Diego, CA; "Incoterms 2010: Terms of Sale Seminar"; International Business Training
- \* Nov 27: Houston, TX; "Duty Drawback Specialist - Certification"; Global Trade Academy

- \* Dec 3-7: Tysons Corner, VA; "Certified Classification Specialist"; Global Trade Academy
- \* Dec 4-5: London, UK; "11th Advanced Conference on Customs Compliance held in Partnership with HMRC"; C5 Group
- \* Dec 4-5: Frankfurt, Germany; "US Defence Contracting and DFARS Compliance in Europe;" C5 Group
- \* Dec 5: London, UK; "Intermediate Seminar"; UK Department for International Trade
- # Dec 6: London, UK; "Beginner's Workshop"; UK Department for International Trad
- \* Dec 6: London, UK; "Licenses Workshop"; UK Department for International Trade
- \* Dec 6: London, UK; "Control List Classification - Combined Dual Use and Military"; UK Department for International Trade
- \* Dec 6: London, UK; "International Documentation and Customs Compliance"; Institute of Export and International Trade
- # Dec 6: Manchester, UK; "Export Documentation Training Course;" Greater Manchester Chamber of Commerce
- \* Dec 6: Manchester, UK; "Introduction to Export Controls and Licenses";
- \* Dec 10-13: Miami, FL; "ITAR Defense Trade Controls / EAR Export Controls Seminar"; ECTI; [jessica@learnexportcompliance.com](mailto:jessica@learnexportcompliance.com); 540-433-3977
- \* Dec 14: Philadelphia, PA; "Incoterms 2010: Terms of Sale Seminar"; International Business Training

2019

- \* Jan 6-7: Long Beach, CA; "Fundamentals of FTZ Seminar";
- \* Feb 12-13: Washington, D.C.; "2019 Legislative Summit"; National Association of Foreign Trade Zones (NAFTZ)
- \* May 5-7: Savannah, GA; "2019 Spring Seminar"; National Association of Foreign Trade Zones (NAFTZ)
- \* Sep 8-11: Chicago, IL; "2019 Annual Conference and Exposition"; National Association of Foreign Trade Zones (NAFTZ)

### **Webinars**

- \* Aug 8: Webinar; "Incoterms 2010: Terms of Sale"; International Business Training
- \* Aug 9: Webinar; "Export Compliance Essentials for Shipping"; ECTI; 540-433-3977
- \* Aug 23: Webinar; "Social Media for Trade and Logistics Professionals"; Foreign Trade Association
- \* Aug 27: Webinar; "Import Documentation and Procedures"; International Business Training
- \* Sep 6: "University Export Controls Program: Strength in Numbers"; Export Compliance Training Institute
- \* Sep 19: Webinar; "International Logistics"; International Business Training
- \* Sep 24: Webinar; "Tariff Classification: Using the Harmonized Tariff Schedule"; International Business Training
- \* Sep 25: Webinar; "NAFTA Rules of Origin"; International Business Training
- \* Oct 15: Webinar; "Incoterms 2010: Terms of Sale"; International Business Training

- \* Nov 14: Webinar; "An Export Commodity Classification Number - ECCN"; Foreign Trade Association
- \* Dec 3: Webinar; "Tariff Classification: Using the Harmonized Tariff Schedule"; International Business Training
- \* Dec 4: Webinar; "NAFTA Rules of Origin"; International Business Training
- \* Dec 5: Webinar; "Import Documentation and Procedures"; International Business Training
- \* Dec 11: Webinar; "Incoterms 2010: Terms of Sale"; International Business Training
- \* Dec 20: Webinar; "International Logistics"; International Business Training

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#### **EDITOR'S NOTES**

### **13. Bartlett's Unfamiliar Quotations**

(Source: Editor)

- \* **Leo Durocher** (Leo Ernest Durocher; 27 July 1905 - 7 Oct 1991; nicknamed "Leo the Lip", was an American professional baseball player, manager and coach. He played in Major League Baseball as an infielder. Upon his retirement, he ranked fifth all-time among managers with 2,009 career victories, second only to John McGraw in National League history.)
  - *How you play the game is for college ball. When you're playing for money, winning is the only thing that matters.*

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### **14. Are Your Copies of Regulations Up to Date?**

(Source: Editor)

The official versions of the following regulations are published annually in the U.S. Code of Federal Regulations (C.F.R.), but are updated as amended in the Federal Register. The latest amendments to applicable regulations are listed below.

- \* **ATF ARMS IMPORT REGULATIONS:** 27 CFR Part 447-Importation of Arms, Ammunition, and Implements of War
  - Last Amendment: 15 Jan 2016: 81 FR 2657-2723: Machineguns, Destructive Devices and Certain Other Firearms; Background Checks for Responsible Persons of a Trust or Legal Entity With Respect To Making or Transferring a Firearm.
- \* **CUSTOMS REGULATIONS:** 19 CFR, Ch. 1, Pts. 0-199

- Last Amendment: 12 Jun 2018: [83 FR 27380-27407](#): Air Cargo Advance Screening (ACAS)

\* [DOD NATIONAL INDUSTRIAL SECURITY PROGRAM OPERATING MANUAL \(NISPOM\)](#): DoD 5220.22-M

- Last Amendment: 18 May 2016: [Change 2](#): Implement an insider threat program; reporting requirements for Cleared Defense Contractors; alignment with Federal standards for classified information systems; incorporated and cancelled Supp. 1 to the NISPOM (Summary [here](#).)

\* [EXPORT ADMINISTRATION REGULATIONS \(EAR\)](#): 15 CFR Subtit. B, Ch. VII, Pts. 730-774

- Last Amendment: 6 June 2018: [83 FR 26204-26205](#): Unverified List (UVL); Correction

\* [FOREIGN ASSETS CONTROL REGULATIONS \(OFAC FACR\)](#): 31 CFR, Parts 500-599, Embargoes, Sanctions, Executive Orders

- Last Amendment: 29 June 2018: [83 FR 30541-30548](#): Global Magnitsky Sanctions Regulations; and [83 FR 30539-30541](#): Removal of the Sudanese Sanctions Regulations and Amendment of the Terrorism List Government Sanctions Regulations

\* [FOREIGN TRADE REGULATIONS \(FTR\)](#): 15 CFR Part 30

- Last Amendment: 24 Apr 2018: [83 FR 17749-17751](#): Foreign Trade Regulations (FTR): Clarification on the Collection and Confidentiality of Kimberley Process Certificates

- HTS codes that are not valid for AES are available [here](#).

- The latest edition (30 April 2018) of *Bartlett's Annotated FTR* ("BAFTR"), by James E. Bartlett III, is available for downloading in Word format. The BAFTR contains all FTR amendments, FTR Letters and Notices, a large Index, and approximately 250 footnotes containing case annotations, practice tips, Census/AES guidance, and explanations of the numerous errors contained in the official text. Subscribers receive revised copies in Microsoft Word every time the FTR is amended. The BAFTR is available by annual subscription from the Full Circle Compliance [website](#). BITAR subscribers are entitled to a 25% discount on subscriptions to the BAFTR. Government employees (including military) and employees of universities are eligible for a 50% discount on both publications at [www.FullCircleCompliance.eu](http://www.FullCircleCompliance.eu).

\* [HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES \(HTS, HTSA or HTSUSA\)](#), 1 Jan 2018: [19 USC 1202 Annex](#). ("HTS" and "HTSA" are often seen as abbreviations for the Harmonized Tariff Schedule of the United States Annotated, shortened versions of "HTSUSA".)

- Last Amendment: 8 Jun 2018: [Harmonized System Update 1809](#), containing 901 ABI records and 192 harmonized tariff records.

- HTS codes for AES are available [here](#).

- HTS codes that are not valid for AES are available [here](#).

\* [INTERNATIONAL TRAFFIC IN ARMS REGULATIONS \(ITAR\)](#): 22 C.F.R. Ch. I, Subch. M, Pts. 120-130.

- Last Amendment: 14 Feb 2018: 83 FR 6457-6458: Amendment to the International Traffic in Arms Regulations: Addition of South Sudan [Amends ITAR Part 126.]

- The only available fully updated copy (latest edition: 25 Apr 2018) of the ITAR with all amendments is contained in *Bartlett's Annotated ITAR* ("BITAR"), by James E. Bartlett III. The BITAR contains all ITAR amendments to date, plus a large Index, over 800 footnotes containing amendment histories, case annotations, practice tips, DDTC guidance, and explanations of errors in the official ITAR text. Subscribers receive updated copies of the BITAR in Word by email, usually revised within 24 hours after every ITAR amendment. The BITAR is available by annual subscription from the Full Circle Compliance [website](#). BAFTR subscribers receive a 25% discount on subscriptions to the BITAR, please [contact us](#) to receive your discount code.

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## 15. Weekly Highlights of the Daily Bugle Top Stories (Source: Editor)

Review last week's top Ex/Im stories in "Weekly Highlights of Daily Bugle Top Stories" posted [here](#).

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## EDITORIAL POLICY

\* The Ex/Im Daily Update is a publication of FCC Advisory B.V., compiled by: Editor, James E. Bartlett III; Assistant Editors, Alexander P. Bosch and Vincent J.A. Goossen; and Events & Jobs Editor, John Bartlett. The Ex/Im Daily Update is emailed every business day to approximately 8,000 readers of changes to defense and high-tech trade laws and regulations. We check the following sources daily: Federal Register, Congressional Record, Commerce/AES, Commerce/BIS, DHS/CBP, DOE/NRC, DOJ/ATF, DoD/DSS, DoD/DTSA, FAR/DFARS, State/DDTC, Treasury/OFAC, White House, and similar websites of Australia, Canada, U.K., and other countries and international organizations. Due to space limitations, we do not post Arms Sales notifications, Denied Party listings, or Customs AD/CVD items.

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**From:** Gary Stanley [gstanley@glstrade.com]  
**Sent:** 7/29/2018 10:21:30 PM  
**To:** Matthew Borman [Matthew.Borman@bis.doc.gov]  
**Subject:** Defense and Export-Import Update (July 27, 2018)

**Dear All,**

**Good Day!**

**Gary Stanley's EC Tip of the Day:** ITAR § 124.1(a) provides that its requirements regarding authorization of defense services apply whether or not technical data is to be disclosed or used in the performance of the defense services described in ITAR §120.9(a) (e.g., all the information relied upon by the U.S. person in performing the defense service is in the public domain or is otherwise exempt from ITAR licensing requirements pursuant to ITAR § 125.4). The requirements also apply to the training of any foreign military forces, regular and irregular, in the use of defense articles.

**Today's Items:**

- 1. DDTC Temporarily Excludes Certain Technical Data from USML Category I**
- 2. DDTC Posts Public Comments on Proposed Changes to USML Categories I-III**
- 3. BIS Seeks Public Comment on Section 232 National Security Investigation of Imports of Uranium**
- 4. The United States and France Take Coordinated Action on Global Procurement Network for Syria's Chemical Weapons Program**
- 5. State Dept. Continues Designations of al-Shabaab as a Foreign Terrorist Organization**
- 6. UK Government's Export Control Joint Unit Issues Notice to Exporters 2018/19 on Launch of Consultation on the National Security and Investment White Paper**
- 7. 3M Company Agrees to Pay \$9.1 Million to Resolve Allegations That it Supplied the United States with Defective Dual-Ended Combat Arms Earplugs**
- 8. DoD/DSCA Notifies Congress of Possible FMS to Bahrain of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90)**
- 9. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**
- 10. Commerce/ITA Seeks Participants for Annual U.S. Industry Program at the IAEA General Conference**
- 11. WTO News**
- 12. U.S. Government Contracting**
- 13. U.S. Customs and U.S. Census/AES Updates**
- 14. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**
- 15. GAO Reports, Testimony, and Correspondence of Interest**
- 16. U.S. Government Trade Forms and Other Information Collections Open for Public Comment**

**Other Headlines**

- 17. Congress to Ease Russia Sanctions amid Clamor for Tougher Measures**
- 18. U.S. Technology Sent to Chinese Police Was within Rules, Commerce Department Says**
- 19. Mattis Makes New Plea to HASC for Russian Sanctions Relief**
- 20. House OKs More Subs, Pumps \$250M More into Industrial Base**
- 21. The Fate of DISA and Other Org Chart Changes in the New Defense Policy Bill**
- 22. Talking Trade with Former BIS Chief Eric Hirschhorn**
- 23. US Acts to Release \$195M in Suspended Military Aid to Egypt**
- 24. Trump, E.U. Announce Deal to Avert Escalation of Trade Tensions**
- 25. Trump's Pact With Europe Points to Tactical Shift on 'America First'**
- 26. Trump Relents on EU Car Tariffs, as U.S.-China Fight Derails Qualcomm Deal**
- 27. Chinese Deals Lose Luster for Officials across the U.S.**
- 28. Visa Restrictions for Chinese Students Alarm Academia**
- 29. The Morning Risk Report: Security Concerns Quash Sale of German Company**
- 30. DoD, Industry Sparring Over New Cyber Rules, Ellen Lord Says**
- 31. Air Force to Establish New Rapid Sustainment Office**
- 32. Lockheed Tees Up MDC2 Wargame; Sells AI C2 System**
- 33. The U.S. Navy's Fighter Woes Are Boosting Boeing's Bottom Line**
- 34. Boeing's KC-46 Penalties Now Up to \$3.4B Thanks to New \$426M Charge**
- 35. Airbus CEO Denies Seeking Fighter-Unit Merger with BAE Systems**
- 36. Thanks to Inflation, Airbus Takes Major Financial Hit, Again, on Largest Military Program**
- 37. Pentagon Hopes JEDI Contract Good for the Force**
- 38. The Company Astronaut**
- 39. Salient CRGT Wins \$34M Task Order to Deliver IT Support to the Defense Technology Security Administration**
- 40. Opinion: When the World Opened the Gates of China**

**Upcoming Export Control and Other Trade Compliance Conferences - NEW EVENTS ADDED!**

## **1. DDTC Temporarily Excludes Certain Technical Data from USML Category I**

The U.S. Department of State's Directorate of Defense Trade Controls (DDTC) has posted on its website a notice that consistent ITAR § 126.2, the Acting Deputy Assistant Secretary for Defense Trade Controls has determined that it is in the interest of the security and foreign policy of the United States to temporarily modify United States Munitions List (USML) Category I to exclude the following technical data identified in the Settlement Agreement for the matter of *Defense Distributed, et al., v. U.S. Department of State, et al.*, Case No. 15-cv-372-RP (W.D. Tex.) (hereinafter "Defense Distributed"):

- “Published Files,” i.e., the files described in paragraph 25 of the Second Amended Complaint in Defense Distributed.
- “Ghost Gunner Files,” i.e., the files described in paragraph 36 of the Second Amended Complaint in Defense Distributed.
- “CAD Files,” i.e., the files described in paragraph 40 of the Second Amended Complaint in Defense Distributed.
- “Other Files,” i.e., the files described in paragraphs 44-45 of the Second Amended Complaint in Defense Distributed, insofar as those files regard items exclusively: (a) in Category I(a) of the USML, as well as barrels and receivers covered by Category I(g) of the USML that are components of such items; or (b) items covered by Category I(h) of the USML solely by reference to Category I(a), excluding Military Equipment. Military Equipment means (1) Drum and other magazines for firearms to .50 caliber (12.7 mm) inclusive with a capacity greater than 50 rounds, regardless of jurisdiction of the firearm, and specially designed parts and components therefor; (2) Parts and components specially designed for conversion of a semi-automatic firearm to a fully automatic firearm; (3) Accessories or attachments specially designed to automatically stabilize aim (other than gun rests) or for automatic targeting, and specially designed parts and components therefor.

This temporary modification will remain in effect while the final rule referenced in paragraph 1(a) of the Settlement Agreement is in development. Please see the Settlement Agreement and the Second Amended Compliant for additional information. See also this Harvard Law School case analysis.

## **2. DDTC Posts Public Comments on Proposed Changes to USML Categories I-III**

The U.S. Department of State's Directorate of Defense Trade Controls (DDTC) has posted on its website public comments it has received to the changes it proposed to Categories I (firearms, close assault weapons and combat shotguns), II (guns and armament), and III (ammunition and ordnance) of the U.S. Munitions List (USML) in its proposed rule published at 83 Fed. Reg. 24197 (May 24, 2018).

## **3. BIS Seeks Public Comment on Section 232 National Security Investigation of Imports of Uranium**

(83 Fed. Reg. 35204) - The U.S. Department of Commerce's Bureau of Industry and Security has officially announced that the Secretary of Commerce has initiated an investigation to determine the effects on the national security of imports of uranium. This investigation has been initiated under section 232 of the Trade Expansion Act of 1962, as amended. Interested parties are invited to submit written comments, data, analyses, or other information pertinent to the investigation to the Department of Commerce's Bureau of Industry and Security. This notice identifies issues on which the Department is especially interested in obtaining the public's views. Interested persons must submit their comments by September 10, 2018.

## **4. The United States and France Take Coordinated Action on Global Procurement Network for Syria's Chemical Weapons Program**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has designated 13 persons pursuant to Executive Order (E.O.) 13382 of June 28, 2005, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters." These five entities and eight individuals are allegedly key components of a vast network procuring electronics on behalf of Syria's Scientific Studies and Research Center (SSRC), the agency responsible for the development of Syria's chemical weapons. In a coordinated action earlier this week, the Government of France renewed an asset freeze on 24 entities and individuals from this same procurement network for providing an array of support to the SSRC. As a result of OFAC's action, many of the entities and individuals previously targeted by the French government will now be added to OFAC's Specially Designated Nationals and Blocked Persons List. Consequently, all property and interests in property of those designated today subject to U.S. jurisdiction are blocked, and U.S. persons are generally prohibited from engaging in transactions with them.

## **5. State Dept. Continues Designations of al-Shabaab as a Foreign Terrorist Organization**

(83 Fed. Reg. 35307) - Based upon a review of the Administrative Record assembled pursuant to Section 219(a)(4)(C) of the Immigration and Nationality Act, as amended (8 U.S.C. 1189(a)(4)(C)) ("INA"), and in consultation with the Attorney General and the Secretary of the Treasury, Secretary of State Michael Pompeo has concluded that the circumstances that were the basis for the designation of the aforementioned organization as a Foreign Terrorist Organization have not changed in such a manner as to warrant revocation of the designation and that the national security of the United States does not warrant a revocation of the designation.

## **6. UK Government's Export Control Joint Unit Issues Notice to Exporters 2018/19 on Launch of Consultation on the National Security and Investment White Paper**

The U.K. Government's Export Control Joint Unit (ECJU) has issued Notice to Exporters 2018/19 regarding the consultation launched on the national security and investment white paper. On 24 July 2018 the government published a white paper, national security and investment: proposed legislative reforms, and launched a public consultation. The white paper sets out how the government will address the risks that can arise from hostile actors acquiring ownership of, or control over, businesses or other entities and assets that have national security implications. It follows the national security and infrastructure investment review green paper published in October 2017. The government has reflected carefully on the feedback provided by a wide variety of stakeholders, including businesses, investors and law firms and a summary of responses is published alongside this white paper. Only a small number of investment activities, mergers and transactions in the UK economy pose a risk to our national security. For the cases that pose a risk to our national security it is vital that the government is able to intervene in order to prevent or mitigate those risks. The white paper sets out:

- That the government will encourage parties to submit 'valid notifications' of transactions and other events that may give rise to national security risks
- The ability for the government to 'call in' investments and other events which may raise national security concerns in whichever sector they occur, including those events which have not been notified
- If the 'call-in' power is used, the government will undertake a full national security assessment which can take up to 30 working days, with the option of extending for a further 45 working days, or longer by agreement
- At the end of the full national security assessment, if the government concludes that national security is at risk, it has the power to impose necessary and proportionate remedies - this could include, in rare circumstances, blocking or unwinding a deal

The government has also published a statement of policy intent alongside the white paper. This seeks to provide maximum certainty and clarity to business and investors by setting out how the 'call-in' power is expected to be used. The ECJU welcomes your views on our proposals. Read the white paper and statement of policy intent.

## **7. 3M Company Agrees to Pay \$9.1 Million to Resolve Allegations That it Supplied the United States with Defective Dual-Ended Combat Arms Earplugs**

The U.S. Department of Justice (DOJ) has announced that 3M Company (3M), headquartered in St. Paul, Minnesota, has agreed to pay \$9.1 million to resolve allegations that it knowingly sold the dual-ended Combat Arms Earplugs, Version 2 (CAEv2) to the United States military without disclosing defects that hampered the effectiveness of the hearing protection device. The settlement resolves allegations that 3M violated the False Claims Act by selling or causing to be sold defective earplugs to the Defense Logistics Agency. Specifically, the United States alleged that 3M, and its predecessor, Aearo Technologies, Inc., knew the CAEv2 was too short for proper insertion into users' ears and that the earplugs could loosen imperceptibly and therefore did not perform well for certain individuals. The United States further alleged that 3M did not disclose this design defect to the military. The allegations resolved by the settlement were brought in a lawsuit filed under the qui tam, or whistleblower, provisions of the False Claims Act. The act permits private parties to sue on behalf of the government when they believe that defendants submitted false claims for government funds and to share in any recovery. As part of today's resolution, the whistleblower will receive \$1,911,000.

## **8. DoD/DSCA Notifies Congress of Possible FMS to Bahrain of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90)**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) has notified the Congress that the Government of Bahrain has requested to buy items and services in support of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90), formerly the USS Jack Williams (FFG-24), transferred as Excess Defense Article on September 13, 1996. Also includes engineering, technical, and logistics services, documentation, and modification material for U.S. Navy supplied systems and equipment

and other related elements of logistics and program support. The estimated program value is \$70 million. There is no prime contractor involved in this proposed sale. There are no known offset agreements proposed in connection with this potential sale.

## **9. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) has made the following updates to its Security Assistance Management Manual (SAMM) and Policy Memorandums:

- DSCA Policy Memo 18-35 Revision of Section 2.8 of Letter of Offer and Acceptance (LOA) Standard Terms and Conditions has been posted.

In correspondence with Defense Procurement Acquisition Policy's (DPAP) revision of the DFARS, the DSCA 18-35 will amend Standard Terms and Conditions (STC) 2.8 by removing specific reference to the DFARS by clause and referring to the general USG offset policy that "although offset agreements, as defined in the Defense Federal Acquisition Regulation Supplement, are not within the scope of the DoD contracts entered into to fulfill the requirements of this LOA, offsets may be reimbursed through such contracts." STCs will continue to reflect the USG law and policy on offsets and direct the foreign partner to seek information from Industry.

## **10. Commerce/ITA Seeks Participants for Annual U.S. Industry Program at the IAEA General Conference**

(83 Fed. Reg. 35612) - The U.S. Department of Commerce's International Trade Administration (ITA), with participation from the U.S. Departments of Energy and State, is organizing the 11th Annual U.S. Industry Program at the International Atomic Energy Agency (IAEA) General Conference, to be held September 16-19, 2018, in Vienna, Austria. The IAEA General Conference is the premier global meeting of civil nuclear policymakers and typically attracts senior officials and industry representatives from all 162 Member States. The U.S. Industry Program is part of the U.S. Department of Commerce's (DOC) Civil Nuclear Trade Initiative, a U.S. Government effort to help U.S. civil nuclear companies identify and capitalize on commercial civil nuclear opportunities around the world. The purpose of the program is to help the U.S. nuclear industry promote its services and technologies to an international audience, including senior energy policymakers from current and emerging markets as well as IAEA staff. Representatives of U.S. companies from across the U.S. civil nuclear supply chain are eligible to participate. In addition, organizations providing related services to the industry, such as universities, research institutions, and U.S. civil nuclear trade associations, are eligible for participation. The mission will help U.S. participants gain market insights, make industry contacts, solidify business strategies, and identify or advance specific projects with the goal of increasing U.S. civil nuclear exports to a wide variety of countries interested in nuclear energy. Participant recruitment will run until August 3, 2018. Applications received after August 3, 2018, will be considered only if space and scheduling permit.

## **11. WTO News**

- MONITORING REPORT SHOWS INCREASE OF NEW TRADE RESTRICTIONS FROM WTO MEMBERS: WTO members introduced more trade-restrictive measures from mid-October

2017 to mid-May 2018 compared to the previous review period (mid-October 2016 to mid-October 2017), according to the Director-General's mid-year report on trade-related developments presented to members on 25 July at a meeting of the Trade Policy Review Body. While WTO members continued to implement more trade-facilitating than trade-restrictive measures, the value of trade covered by the restrictive measures rose and the value covered by facilitating measures fell. The report draws attention to this shift, and to the fact that it is taking place at a time of heightened trade tensions and associated rhetoric, which should be of concern to the international community.

- KAZAKHSTAN TO HOST WTO'S NEXT MINISTERIAL CONFERENCE: WTO members have accepted Kazakhstan's invitation to host, in Astana, the organization's Twelfth Ministerial Conference (MC12) to be held in 2020. The decision was taken by consensus at today's General Council meeting (26 July 2018) and marks the first time a Ministerial Conference is to be organized in Central Asia.
- WTO MEMBERS TAKE UP DISCIPLINES ON SUBSIDIES TO IUU FISHING AT JULY MEETINGS: WTO members in the Negotiating Group on Rules exchanged views and information on disciplines to prohibit subsidies to illegal, unreported and unregulated (IUU) fishing at their 24-26 July cluster of meetings on fisheries subsidies (the third such cluster this year). Members also discussed how to organize the negotiating work in September-December, with a mix of activities including technical sessions, brainstorming, text-based discussions and time for bilateral meetings among delegations.

## **12. U.S. Government Contracting**

- DoD/DSS: OMB Information Collection Submission - Certificate Pertaining to Foreign Interest; SF328 - Deadline for Public Comment: Aug. 27, 2018
- DoD/Navy: Notice of Availability of Government-Owned Inventions; Available for Licensing

## **13. U.S. Customs and U.S. Census/AES Updates**

- U.S. Customs - CSMS #18-000454 Title: PRODUCTION ACE Protest & CQ Deployment, Thurs July 26, 2018 @0500ET
- U.S. Customs - CSMS #18-000455 Title: AESTIR Appendix C – ISO Country Codes update - Swaziland has been changed to Eswatini
- U.S. Customs - CSMS# 18-000456 - ACE PRODUCTION Scheduled Maintenance, Sat. Jul 28, 2018 @ 2200 to 0200 ET Sunday, Jul 29
- U.S. Customs - CSMS #18-000457 Title: Additional item for Prod ACE Truck Manifest deployment this weekend
- U.S. Customs - CBP to adjust hours at ports of Danville and Metaline Falls

- U.S. Customs - CBP Welcomes a New Federal Inspection Station inaugurated at the Luis Muñoz Marin International Airport
- U.S. Customs - Detroit Trade Day 2018
- U.S. Customs - ICE removes British man convicted in conspiracy to illegally export sensitive technologies to Syria
- U.S. Customs - Section 301 Trade Remedies Frequently Asked Questions
- U.S. Customs - Antidumping and Countervailing Duties (AD/CVD) Update Summer 2018
- U.S. Customs - COAC Quarterly Meeting (Webinar) August 1, 2018 - Washington, DC
- U.S. Customs - August 1 2018 COAC TERC Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Export Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Trusted Trader Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Trade Modernization Trade Executive Summary
- U.S. Customs - Customs Bulletin and Decisions - Vol. 52, July 25, 2018, No. 30 Index

#### General Notices

##### U.S. Court of International Trade Slip Opinions

- U.S. Census/Global Reach Blog - U.S. Exports by Metropolitan Area
- U.S. Census - Preliminary: U.S. Imports for Consumption of Steel Products June 2018 - The U.S. Census Bureau has announced that preliminary June steel imports were \$2.2 billion (2.2 million metric tons) compared to the preliminary May totals of \$2.7 billion (2.6 million metric tons).
- U.S. Census - The Advance International Trade in Goods Deficit Increased in June 2018

## **14. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**

- Commerce/E&C - Aluminum Extrusions From the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2016-2017

- Commerce/E&C - Aluminum Extrusions From the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2016
- Commerce/E&C - Carbon Steel Butt-Weld Pipe Fittings From the People's Republic of China: Preliminary Affirmative Determination of Circumvention of the Antidumping Duty Order
- Commerce/E&C - Certain New Pneumatic Off-the-Road Tires From India: Notice of Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Certain New Pneumatic Off-The-Road Tires From Sri Lanka: Notice of Court Decision Not in Harmony With Final Affirmative Countervailing Duty Determination, Notice of Amended Final Determination and Revocation of Countervailing Duty Order
- Commerce/E&C - Certain Preserved Mushrooms From the People's Republic of China: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Citric Acid and Certain Citrate Salts From Belgium, Colombia and Thailand: Antidumping Duty Orders
- Commerce/E&C - Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2015-2016
- Commerce/E&C - Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Notice of Partial Rescission of Antidumping Duty Administrative Review; 2016-2017
- Commerce/E&C - Drawn Stainless Steel Sinks From the People's Republic of China: Final Results of the Expedited First Sunset Review of the Countervailing Duty Order
- Commerce/E&C - Multilayered Wood Flooring From the People's Republic of China: Final Results of Antidumping Duty Administrative Review, Final Determination of No Shipments, and Partial Rescission; 2015-2016
- Commerce/E&C - Multilayered Wood Flooring From the People's Republic of China: Notice of Court Decision Not in Harmony With the Second Amended Final Determination and Notice of Third Amended Final Determination of the Antidumping Duty Investigation
- Commerce/E&C - Seamless Refined Copper Pipe and Tube From the People's Republic of China: Rescission of Antidumping Duty Administrative Review; 2016- 2017
- Commerce/E&C - Steel Wire Garment Hangers From Taiwan: Rescission of Antidumping Duty Administrative Review; 2016-2017

- USITC - Certain Lithography Machines and Systems and Components Thereof (I): Notice of Receipt of Complaint; Solicitation of Comments Relating to the Public Interest
- USITC - Certain Lithography Machines and Systems and Components Thereof (II): Notice of Receipt of Complaint; Solicitation of Comments Relating to the Public Interest
- USITC - Certain Load Supporting Systems, Including Composite Mat Systems, and Components Thereof: Commission Determination Not To Review an Initial Determination Granting a Joint Motion To Terminate the Investigation Based on Consent Orders and a Settlement Agreement; Issuance of Consent Orders; Termination of the Investigation
- USITC - Certain Toner Cartridges and Components Thereof: Commission Determination Not To Review an Initial Determination Amending the Complainant and Notice of Investigation

## **15. GAO Reports, Testimony, and Correspondence of Interest**

- HIGH-RISK SERIES: Urgent Actions Are Needed to Address Cybersecurity Challenges Facing the Nation: GAO-18-645T: Published: Jul 25, 2018. Publicly Released: Jul 25, 2018.
- AVIATION SECURITY: Basic Training Program for Transportation Security Officers Would Benefit from Performance Goals and Measures GAO-18-552: Published: Jul 26, 2018. Publicly Released: Jul 26, 2018.
- GAO WatchBlog: Cybersecurity—New Risks and Threats

## **16. U.S. Government Trade Forms and Other Information Collections Open for Public Comment**

(83 Fed. Reg. 35210) - Agency: U.S. Dept. of Commerce/International Trade Administration (ITA) - Title: Swiss-U.S. Privacy Shield; Invitation for Applications for Inclusion on the Supplemental List of Arbitrators - Agency Form No.: None - Type of Review: Regular submission - Deadline for Public Comment: Sept. 24, 2018

(83 Fed. Reg. 35674) - Agency: U.S. Dept. of Homeland Security/U.S. Customs and Border Protection (CBP) - Title: Visa Waiver Program Carrier Agreement - Agency Form No.: CBP Form I-775 - Type of Review: Extension (without change) - Deadline for Public Comment: Sept. 25, 2018

## **Other Headlines**

## **17. Congress to Ease Russia Sanctions amid Clamor for Tougher Measures**

Washington Post.com, July 24 - Bowing to pressure from the Trump administration, lawmakers unveiled a sweeping defense policy bill Tuesday that would give the president greater power to forgo certain Russia-related penalties. The move to scale back sanctions stands in sharp contrast to mounting bipartisan fervor in the Senate to get tougher on Russia after a summit between President Trump and Russian President Vladimir Putin that

was roundly decried as an embarrassment and a missed opportunity to deal harshly with the Kremlin over election interference. Lawmakers have unleashed a flurry of bills, resolutions and other initiatives to try to force Trump to step up penalties against Russia. There is also pressure to take steps before Putin can make good on an invitation from Trump to visit the United States this fall — though at this juncture, the State Department is unaware of any formal invitation, and Russian authorities say they are making no formal preparations for a second summit.

## **18. U.S. Technology Sent to Chinese Police Was within Rules, Commerce Department Says**

Wall Street Journal.com, July 26 - The U.S. Commerce Department deflected a Congressional committee's concerns that it is doing an insufficient job stopping U.S.-made technology from playing a role in oppressive policing in China. The department, in a letter from Commerce Secretary Wilbur Ross, also said DNA sequencers used by Chinese police and made by Waltham, Mass.-based Thermo Fisher Scientific Inc. were not subject to U.S. licensing rules that control the sale of crime-busting equipment to foreign countries. The devices were described in a Wall Street Journal article last December that highlighted the ways that Chinese police gather DNA samples from many citizens who aren't criminal suspects, sometimes resorting to trickery. The Journal story followed a report by Human Rights Watch that identified Thermo Fisher as a supplier of some DNA sequencers to police in China's restive Xinjiang province. "The items are low-technology products that are available from worldwide sources, including indigenous Chinese sources, and have numerous legitimate end-uses," including in education, medical research and forensics, according to Mr. Ross's letter, which is dated June 11 and has not been previously reported.

## **19. Mattis Makes New Plea to HASC for Russian Sanctions Relief**

Breaking Defense.com, July 25 - Defense Secretary James Mattis fired off a new letter to House Armed Services leadership on Tuesday, asking lawmakers again to vote in favor of waivers for certain countries Washington is trying to sway into its orbit, but who continue to do business with Russian defense firms. The letter was delivered to HASC chairman Rep. Mac Thornberry and Ranking Member Rep. Adam Smith on Tuesday, a day before the full House was set to vote on the 2019 National Defense Authorization Act containing language broadly supporting the waivers. In the missive (which can be found here) obtained by Breaking Defense, Mattis asked for the Secretary of State to be given the ability to waive sanctions so the United States could "sell military equipment and enable countries pulling away from the Russian orbit." He wrote that the waivers "would not benefit Russia; it will only benefit the U.S. and countries willing to pursue a security relationship with us."

## **20. House OKs More Subs, Pumps \$250M More into Industrial Base**

Breaking Defense.com, July 26 - In the drama-free weeks leading up to Thursday's overwhelming passage of the compromise \$716 billion defense policy bill by the House of Representatives, lawmakers sent a pretty clear signal to the White House: we want more submarines. With concerns rising over the growing prowess of Russian and Chinese undersea capabilities, and standoff air and sea defenses shutting off access to the littoral for large surface ships and many aircraft, both lawmakers and the Navy have said that they'll need more subs — and more quickly — than previous plans allocated. . . . The bill also authorizes about \$237 million more than the White House requested — \$3.2 billion — to

continue work on new Columbia-class submarines. It also plumps down an additional \$250 million to strengthen the submarine industrial base as it scrambles to replace the current Ohio-class subs. That extra money for the base is meant to ensure that smaller second- and third-tier suppliers can meet increased production demands for both the Columbia and Virginia class submarine programs.

## **21. The Fate of DISA and Other Org Chart Changes in the New Defense Policy Bill**

DefenseNews.com, July 25 - The Defense Information Systems Agency and other so-called "fourth estate" agencies were spared the ax, but a potpourri of Pentagon organizational changes have made it into this year's massive, must-pass defense authorization bill. The Senate and House came together Monday on a \$716 billion bill that softened House-passed language to eliminate DISA and other agencies in the name of efficiency. But what survived could drive future efforts to slash Pentagon bureaucracy: a series of high-stakes reviews by DoD's chief management officer aimed at cutting costs DoD-wide. The report for the sweeping 2019 National Defense Authorization Act is expected to come to a vote in the House this week and the Senate next week. The annual must-pass bill covers military hardware, personnel and a wide swath of hot-button national security issues. Earlier drafts of the bill, spearheaded by House Armed Services Committee Chairman Mac Thornberry, targeted DISA and six other offices by name. But the conference report eliminates the direct mention of the agency — which oversees a huge swath of DoD networks and IT, has a total budget of nearly \$10 billion and employs more than 12,000 people.

## **22. Talking Trade with Former BIS Chief Eric Hirschhorn**

American Shipper.com, July 10 - From April 2, 2010 to Jan. 20, 2017, Eric L. Hirschhorn served as undersecretary of commerce for industry and security and headed the U.S. Commerce Department's Bureau of Industry and Security (BIS), a federal agency with responsibility for ensuring that the country's most sensitive commercial technologies do not end up in the hands of adversary nations or terrorist organizations for potential misuse. However, his work in both the private and public sectors within the area of U.S. export control regulations spans four decades and seven presidential administrations. The Adam Smith Project recently sat down with Hirschhorn, who remains active in various Washington, D.C.-based legal and international affairs activities, to discuss the recent evolution of the country's export controls and where he believes they're headed.

## **23. US Acts to Release \$195M in Suspended Military Aid to Egypt**

DefenseNews.com, July 25 - The United States has decided to release \$195 million in military aid to Egypt after withholding the assistance last year over human rights concerns, the State Department announced Wednesday. The department said the decision follows steps Egypt has taken in response to specific U.S. concerns, and it cited stronger U.S.-Egypt ties in security and counterterrorism while also acknowledging remaining areas of concern about human rights and governance. Independent monitoring groups have documented continued human rights abuses in Egypt over the past year. The New York-based Human Rights Watch describes the situation in Egypt as the "worst human rights crisis in the country in decades." Egyptian police, the group said, systematically use "torture, arbitrary arrests and enforced disappearances to silence political dissent," according to a recent assessment. Amnesty International reported an escalation in Egypt's crackdown on civil

society and pointed to routine “grossly unfair” trials of government critics, peaceful protesters, journalists and human rights defenders.

## **24. Trump, E.U. Announce Deal to Avert Escalation of Trade Tensions**

Washington Post.com, July 25 - The United States and the European Union stepped back from the brink of an escalating trade war Wednesday, with the unexpected announcement of a process to ease tensions and avoid further tariffs. In an appearance in the White House Rose Garden, President Trump and European Commission President Jean-Claude Juncker said they had agreed to hold off on proposed car tariffs, and work to resolve their dispute on steel and aluminum tariffs, while pursuing a bilateral trade deal. “While we are working on this, we will not go against the spirit of this agreement unless either party terminates the negotiation,” Trump said. “We also will resolve the steel and aluminum tariff issues, and we will resolve retaliatory tariffs.” While Washington and Brussels pursue those aims, the E.U. will import more U.S. soybeans and liquefied natural gas, or LNG, although Juncker suggested that that agreement came with conditions.

## **25. Trump’s Pact With Europe Points to Tactical Shift on ‘America First’**

Wall Street Journal.com, July 26 - President Trump’s truce with the European Union signals a tactical shift in his “America First” trade policy, as he scrambles to show successes after an intensifying revolt from Republican lawmakers and American businesses. But beyond a shift in rhetoric, the concrete results so far remain minimal. Europeans touted Wednesday’s joint statement as reaffirming a trans-Atlantic free-trade relationship that Mr. Trump had openly questioned, without forcing them to make concessions to Washington’s demands. Mr. Trump and European Commission President Jean-Claude Juncker, in their hastily arranged White House ceremony, pledged to work toward negotiating a broad reduction in tariffs on industrial goods and to cooperate against unfair Chinese trade practices. The U.S. agreed not to impose tariffs on European autos as long as negotiations are ongoing, while the EU also said it would try to boost purchases of U.S. liquefied natural gas and soybeans.

## **26. Trump Relents on EU Car Tariffs, as U.S.-China Fight Derails Qualcomm Deal**

Reuters.com, July 25 - In what the EU chief called a “major concession,” U.S. President Donald Trump agreed on Wednesday to refrain from imposing car tariffs while the two sides launch negotiations to cut other trade barriers, easing the threat of a transatlantic trade war. After a meeting at the White House, Trump and European Commission President Jean-Claude Juncker said the talks would also seek to “resolve” U.S. tariffs on steel and aluminum and Europe’s retaliatory duties - marking a step back from Trump’s signature import protections for American metals producers. The breakthrough came as the bitter trade dispute between the United States and China appeared to claim a major casualty, with China not approving U.S. chipmaker Qualcomm Inc’s takeover of NXP Semiconductors, likely shutting the door on the \$44 billion deal. Qualcomm needed Beijing’s okay because China accounts for nearly two-thirds of its revenue, but a deadline at midday on Thursday in Asia passed without word from China’s regulator. Qualcomm had said on Wednesday it was dropping the bid.

## **27. Chinese Deals Lose Luster for Officials across the U.S.**

Wall Street Journal.com, July 25 - Some states and cities in the U.S. are growing wary of Chinese investment after a deal boom that raised national-security concerns and failed to deliver promised jobs. Chinese developer Tan Zhixing rolled into rural Tyler, Texas, last September with a plan to spend \$1.6 billion on a housing complex that promised to bring thousands of Chinese students to attend local schools and create more than 1,000 jobs for the surrounding county. But local officials and their constituents are now raising concerns—including potential security risks, doubts about Mr. Tan's ability to fund the project, and the cost to taxpayers of new infrastructure. City officials haven't approved necessary zoning changes, and it's unclear if Mr. Tan will try to move forward. A spokeswoman for Mr. Tan didn't respond to requests for comment. Critics have singled out Chinese deals as national-security risks on the grounds the companies may be directed and subsidized by the government of China, an economic and military rival.

## **28. Visa Restrictions for Chinese Students Alarm Academia**

New York Times.com, July 25 - President Trump's confrontation with China is beginning to ripple through American academic and research institutions, as a crackdown on visas for certain Chinese citizens has left the higher education community wondering how it will adapt to the administration's effort to stop intellectual property theft and slow China's push for technological supremacy. Educators and academic groups fear that the additional scrutiny could hinder scientific innovation, alienate talented applicants or intensify aggressions toward Chinese scientists already in the country. Academics are already wrestling with the increased attention. At an aerospace conference in Georgia last month, Ella Atkins, a University of Michigan professor, recalled a colleague approaching her with a dilemma. The colleague, an assistant professor at another university, had recently led and submitted a research proposal for a federal grant. But he worried that because he was Chinese, the judges would be biased against his team.

## **29. The Morning Risk Report: Security Concerns Quash Sale of German Company**

Wall Street Journal.com, July 27 - The German government has decided to ban for the first time the sale of a German company to a Chinese suitor on security grounds, an official from the German ruling coalition parties said Thursday. The decision to block the sale of machine tool company Leifeld Metal Spinning AG to a Chinese investor came after an extensive review that led the government to the conclusion such a transaction would be a "risk to public order and safety," WSJ's Andrea Thomas reports, citing the official, who declined to be named. The move illustrates how concerned Germany is about growing appetite for German technology, which analysts say is a key factor behind the strength of Germany's export-reliant economy. The veto was made possible after the German government adopted legislation last year to make it easier to veto takeovers of strategically important companies if the investment puts the public order or safety at risk. The move effectively—though not nominally—targets China's attempt to acquire key technology. The new rules apply mainly to targets in the defense sector and developers of critical software powering financial and telecommunications services, public transport or power grids.

## **30. DoD, Industry Sparring Over New Cyber Rules, Ellen Lord Says**

Breaking Defense.com, July 27 - The Defense Department is working on a "do not buy" list of software vendors who may have been compromised by foreign governments, but is still in the early stages of formulating a plan to ensure the defense industry follows suit. Ellen Lord, the Pentagon's chief weapons buyer, told a small group of reporters here Friday morning that her office is trying to put rules in place to protect against buying "software that has Russian or Chinese provenance, for instance, and quite often that's difficult to tell at first glance because of holding companies," that move the software through the open market. The concern over compromised technology has been heightened after a series of high-profile hacking incidents where U.S. shipbuilding plans and other programs have been compromised by Chinese hackers. Pentagon leadership is especially sensitive to the issue as they rush to keep ahead of Chinese and Russian military modernization programs in areas like hypersonics, satellites, drones, and submarine warfare. Last month, the Pentagon's deputy secretary for intelligence, Kari Bingen, told the House Armed Services Committee that the military needs to "establish security as a fourth pillar in defense acquisition," joining cost, schedule, and performance, while making security "a major factor in competitiveness for U.S. government business."

### **31. Air Force to Establish New Rapid Sustainment Office**

National Defense Magazine.org, July 25 - The Air Force is setting up a new Rapid Sustainment Office to help keep aircraft flying, the service's top official announced July 25. Seventy percent of the lifecycle cost of an aerial platform stems from maintenance requirements, Air Force Secretary Heather Wilson noted during remarks at an event in Washington, D.C., hosted by the Washington Post. The Rapid Sustainment Office will "drive down the cost" of replacement parts and mitigate bottlenecks in the supply chain, she said. "There are new technologies in manufacturing that mean [that] we don't have to go out to a supplier, some of whom are no longer in business," she said. "Just in the first quarter of this year, we had 10,000 requests for parts ... [where] there wasn't even a single bidder because the company is no longer in business [or] there's no business case for one part," she added. To illustrate her point, Wilson pointed to a trim wheel for the rudder of a KC-135 aerial refueling tanker. "It's a vital piece of equipment," she said. "The company that makes them is no longer in business, [so] we reversed engineered this and 3D-printed it."

### **32. Lockheed Tees Up MDC2 Wargame; Sells AI C2 System**

Breaking Defense.com, July 24 - From the first, Lockheed Martin has been out front discussing Multi-Domain Operations. The company has set up something like an Integrated Product Team to coordinate work across the world's biggest defense company and bring the right products together for the US military as it tries to build a global network of sensors, communications devices and data fusion engines — all of it made useful by Artificial Intelligences made useful by machine learning. The man leading those efforts, Rob Smith, sat down with me at the air show. The video includes the first few minutes of our conversation. The rest you need to read! Perhaps the biggest news is that a new command and control system Lockheed is selling to an unnamed international customer includes automated "enemy intent analysis." So, the Diamond Shield system takes the enormous amount of data gathered by the system, uses Artificial Intelligence to analyze it and tells commanders what it thinks the enemy will do. It also, Smith told me, automatically generates air task orders for pilots and bombers to use.

### **33. The U.S. Navy's Fighter Woes Are Boosting Boeing's Bottom Line**

DefenseNews.com, July 27 - The Navy's ongoing aviation readiness crisis has been a boon for Boeing as the Navy looks to make its Super Hornet fleet healthy again after years of hard use in the war on terror. Boeing's Super Hornets are helping push its Defense operation's sales in a positive direction, contributing to a more than 10 percent year-to-date sales growth, according to analysts and company executives speaking on a quarterly earnings call this week. A total of 46 new Super Hornets – 18 for the U.S. Navy and 28 for Kuwait – are leading the way, but the company is also making a lot of money on the Navy's quest to modernize and extend the life of its workhorse jets. All told, the Navy is planning to modernize all its current jets and buy dozens more in its quest to dig out of a severe readiness hole. Boeing Defense has seen an 11 percent year-over-year sales boost so far this year, said defense analyst Jim McAleese, and company executives said the cash flow from the Navy's F/A-18 recapitalization isn't slackening any time soon.

### **34. Boeing's KC-46 Penalties Now Up to \$3.4B Thanks to New \$426M Charge**

DefenseNews.com, July 26 - Another financial quarter meant another financial hit for Boeing, which disclosed \$426 million in cost overruns to the KC-46 tanker program during an earnings call Wednesday. The newest charge brings Boeing up to \$3.4 billion in pretax overruns on the program, and — due to its fixed-price contract with the U.S. Air Force — the company is required to foot the bill. The price growth was attributed to delays in the certification process as well as "higher estimated costs" for incorporating needed modifications to six flight test and two early-build aircraft. After tax, the charges come down to about \$334 million, said Boeing CEO Dennis Muilenburg during the July 25 earnings call. "We continue to make steady progress towards final certification for the KC-46 tanker and recently completed all flight tests required to deliver the first aircraft, which is expected to be in October of this year, as now agreed upon with the U.S. Air Force," he said. "This is a significant milestone for us and our customer, representing the culmination of three years of testing and over 3,300 flight hours." Now that the flight testing needed for first delivery is complete and the final configuration of each KC-46 has been defined, Boeing can move ahead on wrapping up the manufacture of the first eight aircraft, Muilenburg said.

### **35. Airbus CEO Denies Seeking Fighter-Unit Merger with BAE Systems**

Reuters.com, July 26 - Airbus Chief Executive Tom Enders sought on Thursday to clarify recent comments about fighter consolidation in Europe, saying he did not see a corporate merger of the combat jet activities of Airbus, BAE Systems or others any time soon. Enders, who was quoted earlier this week as raising the prospect of a merger, told reporters in an earnings conference call that he had been talking instead about the need for European nations to co-operate on competing fighter projects. "Of course, I was not suggesting that we should merge the military aircraft activities of BAE, Airbus and whoever else rightaway," said Enders, who had failed to win political support for a full merger of Airbus and BAE in 2012. "What I was suggesting was that it makes a lot of sense, as we have two projects in Europe - a Franco-German and a British-led project - that politicians as well as industrialists try to converge those, and that there is time to do that because the developments are still some years away." Enders had been quoted in the Sunday Times as saying he was open to the idea of a merger of his firm's jet fighter business with that of BAE Systems.

## **36. Thanks to Inflation, Airbus Takes Major Financial Hit, Again, on Largest Military Program**

DefenseNews.com, July 26 - Airbus took a further financial hit on the A400M military airlifter program, booking €98 million (U.S. \$115 million) of provisions in results for the first half the year. The hit mainly stems from price escalation, the company said in a statement on the first-half results, reported July 26. For the A400M, Airbus saw price increases in labor and equipment above those agreed in the production contract. Those provisions add to previous provisions totaling €7.2 billion — all thank to this reality, stated by Sash Tusa, an analyst with an equity research firm, Agency Partners: "Costs in the aeronautical industry escalate, but Airbus has not been able to reclaim these under the current situation. In the U.S. there are producer price indices for the aeronautics sector, but the A400M reflects price increases in the euro zone. Airbus carries a heavy burden of financial risk under the present contract, even as the company adds capabilities to the aircraft and continues talks with the core seven client nations for easing the production contract."

## **37. Pentagon Hopes JEDI Contract Good for the Force**

Breaking Defense.com, July 26 - The JEDI cloud computing contract may be one of the most controversial deals the Pentagon hasn't even awarded. Worth up to \$10 billion over a decade, the Pentagon's attempt to build its first true enterprise-wide cloud has sparked charges that the deal is designed to go straight to Amazon, who already supplies the CIA with its cloud services. The RFP, approved by Ellen Lord, the head of Pentagon acquisition on July 19, includes an initial two-year base, two consecutive three-year options and a final two-year option. Those first two years are designed to test the system and make sure it meets security and other operational standards. In a clear signal to companies who've been complaining that the deal looked cooked to serve up Amazon, Lord's approval includes this sentence: "The contract will be awarded pursuant to full and open competition." It seems pretty clear that the Pentagon is issuing this first contract to test cloud service and figure out how the services use them. Lt. Gen. VeraLinn "Dash" Jamieson, head of Air Force ISR, said this morning that she doesn't want her service to depend on one cloud provider in the long run. "If I have a multi-cloud, I've given him (the enemy) a targeting problem," she said.

## **38. The Company Astronaut**

Washington Post.com, July 24 - He still looks every bit the NASA astronaut he once was. Same chest-out posture. Same Top Gun instincts. Same American flag on the left shoulder of his flight suit. Chris Ferguson even has a call sign, "Fergy." There is one small detail that sets Ferguson apart from the NASA astronauts he is training alongside. Where they have the space agency's red-white-and-blue logo on their spacesuits, he wears Boeing's corporate insignia — a small accessory that symbolizes what the space agency hopes is a new era in space travel. Ferguson retired from NASA after serving as the commander of the last space shuttle mission in 2011. Today, he's a corporate astronaut who is hoping to make history as the first private citizen to launch to orbit on a commercially operated rocket. As a test pilot of the inaugural flight of Boeing's Starliner spacecraft, he would serve alongside NASA's astronauts. But NASA hopes his presence on the mission to the International Space Station augurs a long-awaited next chapter in America's human spaceflight program, one where commercial ventures have ended the government's long-held monopoly in space with the hope of making it accessible to civilians.

## **39. Salient CRGT Wins \$34M Task Order to Deliver IT Support to the Defense Technology Security Administration**

PR Newswire.com, July 25 - Salient CRGT, Inc. was awarded a new task order under its CIO-SP3 contract vehicle to provide enterprise IT support to the Defense Technology Security Administration (DTSA). This 5-year (1-year base, 4-year options) task order has an anticipated ceiling of \$34.5 million. Salient CRGT has been supporting the Defense Technology Security Administration (DTSA) Security Policy Automation Systems since 1980. This task order also supports USXPORTS, an interagency program to support the Department of Defense's (DoD) Presidential Initiative for Export Control Reform to reduce license processing times by providing more flexibility and automation in staffing across multiple agencies. Team Salient CRGT will provide software development, project management, and operations and maintenance support to the DTSA Security Policy Automation Network (SPAN) and the USXPORTS interagency program. The team will streamline the current USXPORTS system through enhancements to best meet the business needs for the interagency Export Control Adjudication processes.

## **40. Opinion: When the World Opened the Gates of China**

Wall Street Journal.com, July 27 - With a congressional vote looming in the spring of 2000, President Bill Clinton mustered his best arguments for why lawmakers should approve his proposed deal for China to join the World Trade Organization. Adding China would link Beijing to Western economies and reduce the government's ability to control its vast population, he said in a speech that March at Johns Hopkins's School of Advanced International Studies. "By joining the WTO, China is not simply agreeing to import more of our products, it is agreeing to import one of democracy's most cherished values, economic freedom," Mr. Clinton said. "When individuals have the power not just to dream, but to realize their dreams, they will demand a greater say." Mr. Clinton's idealistic rhetoric played well among most of Washington's elites, but a trade lawyer often dismissed as a protectionist, Robert Lighthizer, was skeptical. As he had warned in a New York Times op-ed a few years earlier, if admitted to the WTO, mercantilist China would become a "dominant" trading nation. "Virtually no manufacturing job in [the U.S.] will be safe," he wrote. Mr. Lighthizer is now the U.S. Trade Representative, President Donald Trump's chief negotiator on global trade.

## **Upcoming Export Control and Other Trade Compliance Conferences - NEW EVENTS ADDED!**

**July 30-31 - National Customs Brokers & Forwarders Association of America, Inc. - GTEC - Global Trade Educational Conference 2018 - Dallas - Hilton Dallas Lincoln Center**

**Aug. 14-15 - U.S. Dept. of Homeland Security/U.S. Customs and Border Protection (CBP) - 2018 Trade Symposium - Atlanta - Marriott Marquis Hotel**

**Aug. 14-15 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and Professional Association of Exporters and Importers - Complying with U.S. Export Controls - Milpitas, California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Aug. 16 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and Professional Association of Exporters and Importers - Encryption Controls - Milpitas, California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Sept. 5 - IDEEA, Inc. - ComDef 2018 - Washington, DC - National Press Club - Gary Stanley, Editor of Defense and Export-Import Update, will again moderate the panel "Export Control Update" at this annual conference for the defense industry.**

**Sept. 12-13 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) - Complying with U.S. Export Controls - Smithfield, Rhode Island - Bryant University, 1150 Douglas Pike**

**Sept. 13-17 - International Compliance Professionals Association (ICPA) -2018 ICPA@SEA - Galveston, TX to Cozumel**

**Sept. 19-20 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) & Southern California District Export Council - Complying with U.S. Export Controls, LA 2018 - Los Angeles - Westin Los Angeles Airport Hotel**

**Sept. 19-20 - SMi Group - Defence Exports 2018 - Rome - Crowne Plaza Rome St. Peter's Hotel & Spa - Gary Stanley, Editor of Defense and Export-Import Update, is proud to be once again chairing this event and conducting a related Sept. 18 workshop on "Jurisdiction, Classification, and Licensing: How to Police Your U.S. Suppliers"**

**Sept. 25-26 - American Conference Institute - 11th West Coast Conference on FCPA Enforcement and Compliance - San Francisco - Marines' Memorial Club and Hotel**

**Sept. 25-26 - American Conference Institute - 4th Canadian Forum on Global Economic Sanctions Compliance & Enforcement - Toronto**

**NEW - Sept. 28 - Society for International Affairs - 2018 Fall Golf Outing - Woodbridge, Virginia - Old Hickory Golf Club**

**Oct. 1 - Chatham House (The Royal Institute of International Affairs) - Illicit Financial Flows 2018 - London - 10 St James's Square London SW1Y 4LE**

**Oct. 16-18 - Partnerships International, inc. - "Partnering for Compliance™" West 2018 - Fort Worth - Dallas-Fort Worth Marriott South Airport Hotel**

**Oct. 21-23 - International Compliance Professionals Association (ICPA) - 2018 ICPA Fall Conference - Grapevine, TX - Embassy Suites DFW Airport North**

**NEW - Oct. 22-23 - Society for International Affairs - 2018 Fall Advanced Conference - Arlington, Virginia - Crystal Gateway Marriott Hotel**

**Oct. 30 - American Conference Institute - 4th Asia Pacific Economic Sanctions Compliance and Enforcement - Singapore - Marriott Singapore Tang Plaza Hotel**

**Oct. 31 - Nov. 1 - American Conference Institute - 7th Asia Pacific Summit on Anti-Corruption Compliance and Risk Management - Singapore - Marriott Singapore Tang Plaza Hotel**

**Nov. 8-9 - International Compliance Professionals Association (ICPA) - 2018 Annual China Conference - Shanghai - Four Seasons Hotel**

**Nov. 27-30 - American Conference Institute - 35th International Conference on the Foreign Corrupt Practices Act - Washington, DC - Gaylord National Resort & Convention Center**

**NEW - Dec. 7 - Society for International Affairs - 2018 Holiday Party - Washington, DC - Nationals Park, 1500 South Capitol St., S.E.**

**NEW - March 4-6 - Society for International Affairs - 2019 Winter Back to Basics Conference - Savannah, Georgia - Savannah Marriott Riverfront Hotel**

**NEW - March 24-27 - International Compliance Professionals Association (ICPA) - 2019 ICPA Annual Conference - Orlando, Florida - Disney Coronado Springs Resort**

**NEW - May 15-17 - International Compliance Professionals Association (ICPA) - 2019  
ICPA Canada Conference - Toronto - Hyatt Regency Toronto Hotel**

We hope this update proves helpful. If you have questions about any of these developments, please do not hesitate to call us. If you received this free newsletter from a colleague or friend and would like to subscribe directly, please just e-mail your name, title, company, and e-mail address to [gstanley@glstrade.com](mailto:gstanley@glstrade.com).

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**To:** Mira Ricardel [mailto:[Mira.Ricardel@bis.doc.gov](mailto:Mira.Ricardel@bis.doc.gov)]  
**Subject:** Defense and Export-Import Update (July 27, 2018)

**Dear All,**

**Good Day!**

**Gary Stanley's EC Tip of the Day:** ITAR § 124.1(a) provides that its requirements regarding authorization of defense services apply whether or not technical data is to be disclosed or used in the performance of the defense services described in ITAR §120.9(a) (e.g., all the information relied upon by the U.S. person in performing the defense service is in the public domain or is otherwise exempt from ITAR licensing requirements pursuant to ITAR § 125.4). The requirements also apply to the training of any foreign military forces, regular and irregular, in the use of defense articles.

**Today's Items:**

- 1. DDTC Temporarily Excludes Certain Technical Data from USML Category I**
- 2. DDTC Posts Public Comments on Proposed Changes to USML Categories I-III**
- 3. BIS Seeks Public Comment on Section 232 National Security Investigation of Imports of Uranium**
- 4. The United States and France Take Coordinated Action on Global Procurement Network for Syria's Chemical Weapons Program**
- 5. State Dept. Continues Designations of al-Shabaab as a Foreign Terrorist Organization**
- 6. UK Government's Export Control Joint Unit Issues Notice to Exporters 2018/19 on Launch of Consultation on the National Security and Investment White Paper**
- 7. 3M Company Agrees to Pay \$9.1 Million to Resolve Allegations That it Supplied the United States with Defective Dual-Ended Combat Arms Earplugs**
- 8. DoD/DSCA Notifies Congress of Possible FMS to Bahrain of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90)**
- 9. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**
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- 33. The U.S. Navy's Fighter Woes Are Boosting Boeing's Bottom Line**
- 34. Boeing's KC-46 Penalties Now Up to \$3.4B Thanks to New \$426M Charge**
- 35. Airbus CEO Denies Seeking Fighter-Unit Merger with BAE Systems**
- 36. Thanks to Inflation, Airbus Takes Major Financial Hit, Again, on Largest Military Program**
- 37. Pentagon Hopes JEDI Contract Good for the Force**
- 38. The Company Astronaut**
- 39. Salient CRGT Wins \$34M Task Order to Deliver IT Support to the Defense Technology Security Administration**
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**Upcoming Export Control and Other Trade Compliance Conferences - NEW EVENTS ADDED!**

## **1. DDTC Temporarily Excludes Certain Technical Data from USML Category I**

The U.S. Department of State's Directorate of Defense Trade Controls (DDTC) has posted on its website a notice that consistent ITAR § 126.2, the Acting Deputy Assistant Secretary for Defense Trade Controls has determined that it is in the interest of the security and foreign policy of the United States to temporarily modify United States Munitions List (USML) Category I to exclude the following technical data identified in the Settlement Agreement for the matter of *Defense Distributed, et al., v. U.S. Department of State, et al.*, Case No. 15-cv-372-RP (W.D. Tex.) (hereinafter "Defense Distributed"):

- “Published Files,” i.e., the files described in paragraph 25 of the Second Amended Complaint in Defense Distributed.
- “Ghost Gunner Files,” i.e., the files described in paragraph 36 of the Second Amended Complaint in Defense Distributed.
- “CAD Files,” i.e., the files described in paragraph 40 of the Second Amended Complaint in Defense Distributed.
- “Other Files,” i.e., the files described in paragraphs 44-45 of the Second Amended Complaint in Defense Distributed, insofar as those files regard items exclusively: (a) in Category I(a) of the USML, as well as barrels and receivers covered by Category I(g) of the USML that are components of such items; or (b) items covered by Category I(h) of the USML solely by reference to Category I(a), excluding Military Equipment. Military Equipment means (1) Drum and other magazines for firearms to .50 caliber (12.7 mm) inclusive with a capacity greater than 50 rounds, regardless of jurisdiction of the firearm, and specially designed parts and components therefor; (2) Parts and components specially designed for conversion of a semi-automatic firearm to a fully automatic firearm; (3) Accessories or attachments specially designed to automatically stabilize aim (other than gun rests) or for automatic targeting, and specially designed parts and components therefor.

This temporary modification will remain in effect while the final rule referenced in paragraph 1(a) of the Settlement Agreement is in development. Please see the Settlement Agreement and the Second Amended Compliant for additional information. See also this Harvard Law School case analysis.

## **2. DDTC Posts Public Comments on Proposed Changes to USML Categories I-III**

The U.S. Department of State's Directorate of Defense Trade Controls (DDTC) has posted on its website public comments it has received to the changes it proposed to Categories I (firearms, close assault weapons and combat shotguns), II (guns and armament), and III (ammunition and ordnance) of the U.S. Munitions List (USML) in its proposed rule published at 83 Fed. Reg. 24197 (May 24, 2018).

## **3. BIS Seeks Public Comment on Section 232 National Security Investigation of Imports of Uranium**

(83 Fed. Reg. 35204) - The U.S. Department of Commerce's Bureau of Industry and Security has officially announced that the Secretary of Commerce has initiated an investigation to determine the effects on the national security of imports of uranium. This investigation has been initiated under section 232 of the Trade Expansion Act of 1962, as amended. Interested parties are invited to submit written comments, data, analyses, or other information pertinent to the investigation to the Department of Commerce's Bureau of Industry and Security. This notice identifies issues on which the Department is especially interested in obtaining the public's views. Interested persons must submit their comments by September 10, 2018.

## **4. The United States and France Take Coordinated Action on Global Procurement Network for Syria's Chemical Weapons Program**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has designated 13 persons pursuant to Executive Order (E.O.) 13382 of June 28, 2005, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters." These five entities and eight individuals are allegedly key components of a vast network procuring electronics on behalf of Syria's Scientific Studies and Research Center (SSRC), the agency responsible for the development of Syria's chemical weapons. In a coordinated action earlier this week, the Government of France renewed an asset freeze on 24 entities and individuals from this same procurement network for providing an array of support to the SSRC. As a result of OFAC's action, many of the entities and individuals previously targeted by the French government will now be added to OFAC's Specially Designated Nationals and Blocked Persons List. Consequently, all property and interests in property of those designated today subject to U.S. jurisdiction are blocked, and U.S. persons are generally prohibited from engaging in transactions with them.

## **5. State Dept. Continues Designations of al-Shabaab as a Foreign Terrorist Organization**

(83 Fed. Reg. 35307) - Based upon a review of the Administrative Record assembled pursuant to Section 219(a)(4)(C) of the Immigration and Nationality Act, as amended (8 U.S.C. 1189(a)(4)(C)) ("INA"), and in consultation with the Attorney General and the Secretary of the Treasury, Secretary of State Michael Pompeo has concluded that the circumstances that were the basis for the designation of the aforementioned organization as a Foreign Terrorist Organization have not changed in such a manner as to warrant revocation of the designation and that the national security of the United States does not warrant a revocation of the designation.

## **6. UK Government's Export Control Joint Unit Issues Notice to Exporters 2018/19 on Launch of Consultation on the National Security and Investment White Paper**

The U.K. Government's Export Control Joint Unit (ECJU) has issued Notice to Exporters 2018/19 regarding the consultation launched on the national security and investment white paper. On 24 July 2018 the government published a white paper, national security and investment: proposed legislative reforms, and launched a public consultation. The white paper sets out how the government will address the risks that can arise from hostile actors acquiring ownership of, or control over, businesses or other entities and assets that have national security implications. It follows the national security and infrastructure investment review green paper published in October 2017. The government has reflected carefully on the feedback provided by a wide variety of stakeholders, including businesses, investors and law firms and a summary of responses is published alongside this white paper. Only a small number of investment activities, mergers and transactions in the UK economy pose a risk to our national security. For the cases that pose a risk to our national security it is vital that the government is able to intervene in order to prevent or mitigate those risks. The white paper sets out:

- That the government will encourage parties to submit 'valid notifications' of transactions and other events that may give rise to national security risks
- The ability for the government to 'call in' investments and other events which may raise national security concerns in whichever sector they occur, including those events which have not been notified
- If the 'call-in' power is used, the government will undertake a full national security assessment which can take up to 30 working days, with the option of extending for a further 45 working days, or longer by agreement
- At the end of the full national security assessment, if the government concludes that national security is at risk, it has the power to impose necessary and proportionate remedies - this could include, in rare circumstances, blocking or unwinding a deal

The government has also published a statement of policy intent alongside the white paper. This seeks to provide maximum certainty and clarity to business and investors by setting out how the 'call-in' power is expected to be used. The ECJU welcomes your views on our proposals. Read the white paper and statement of policy intent.

## **7. 3M Company Agrees to Pay \$9.1 Million to Resolve Allegations That it Supplied the United States with Defective Dual-Ended Combat Arms Earplugs**

The U.S. Department of Justice (DOJ) has announced that 3M Company (3M), headquartered in St. Paul, Minnesota, has agreed to pay \$9.1 million to resolve allegations that it knowingly sold the dual-ended Combat Arms Earplugs, Version 2 (CAEv2) to the United States military without disclosing defects that hampered the effectiveness of the hearing protection device. The settlement resolves allegations that 3M violated the False Claims Act by selling or causing to be sold defective earplugs to the Defense Logistics Agency. Specifically, the United States alleged that 3M, and its predecessor, Aearo Technologies, Inc., knew the CAEv2 was too short for proper insertion into users' ears and that the earplugs could loosen imperceptibly and therefore did not perform well for certain individuals. The United States further alleged that 3M did not disclose this design defect to the military. The allegations resolved by the settlement were brought in a lawsuit filed under the qui tam, or whistleblower, provisions of the False Claims Act. The act permits private parties to sue on behalf of the government when they believe that defendants submitted false claims for government funds and to share in any recovery. As part of today's resolution, the whistleblower will receive \$1,911,000.

## **8. DoD/DSCA Notifies Congress of Possible FMS to Bahrain of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90)**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) has notified the Congress that the Government of Bahrain has requested to buy items and services in support of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90), formerly the USS Jack Williams (FFG-24), transferred as Excess Defense Article on September 13, 1996. Also includes engineering, technical, and logistics services, documentation, and modification material for U.S. Navy supplied systems and equipment

and other related elements of logistics and program support. The estimated program value is \$70 million. There is no prime contractor involved in this proposed sale. There are no known offset agreements proposed in connection with this potential sale.

## **9. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) has made the following updates to its Security Assistance Management Manual (SAMM) and Policy Memorandums:

- DSCA Policy Memo 18-35 Revision of Section 2.8 of Letter of Offer and Acceptance (LOA) Standard Terms and Conditions has been posted.

In correspondence with Defense Procurement Acquisition Policy's (DPAP) revision of the DFARS, the DSCA 18-35 will amend Standard Terms and Conditions (STC) 2.8 by removing specific reference to the DFARS by clause and referring to the general USG offset policy that "although offset agreements, as defined in the Defense Federal Acquisition Regulation Supplement, are not within the scope of the DoD contracts entered into to fulfill the requirements of this LOA, offsets may be reimbursed through such contracts." STCs will continue to reflect the USG law and policy on offsets and direct the foreign partner to seek information from Industry.

## **10. Commerce/ITA Seeks Participants for Annual U.S. Industry Program at the IAEA General Conference**

(83 Fed. Reg. 35612) - The U.S. Department of Commerce's International Trade Administration (ITA), with participation from the U.S. Departments of Energy and State, is organizing the 11th Annual U.S. Industry Program at the International Atomic Energy Agency (IAEA) General Conference, to be held September 16-19, 2018, in Vienna, Austria. The IAEA General Conference is the premier global meeting of civil nuclear policymakers and typically attracts senior officials and industry representatives from all 162 Member States. The U.S. Industry Program is part of the U.S. Department of Commerce's (DOC) Civil Nuclear Trade Initiative, a U.S. Government effort to help U.S. civil nuclear companies identify and capitalize on commercial civil nuclear opportunities around the world. The purpose of the program is to help the U.S. nuclear industry promote its services and technologies to an international audience, including senior energy policymakers from current and emerging markets as well as IAEA staff. Representatives of U.S. companies from across the U.S. civil nuclear supply chain are eligible to participate. In addition, organizations providing related services to the industry, such as universities, research institutions, and U.S. civil nuclear trade associations, are eligible for participation. The mission will help U.S. participants gain market insights, make industry contacts, solidify business strategies, and identify or advance specific projects with the goal of increasing U.S. civil nuclear exports to a wide variety of countries interested in nuclear energy. Participant recruitment will run until August 3, 2018. Applications received after August 3, 2018, will be considered only if space and scheduling permit.

## **11. WTO News**

- MONITORING REPORT SHOWS INCREASE OF NEW TRADE RESTRICTIONS FROM WTO MEMBERS: WTO members introduced more trade-restrictive measures from mid-October

2017 to mid-May 2018 compared to the previous review period (mid-October 2016 to mid-October 2017), according to the Director-General's mid-year report on trade-related developments presented to members on 25 July at a meeting of the Trade Policy Review Body. While WTO members continued to implement more trade-facilitating than trade-restrictive measures, the value of trade covered by the restrictive measures rose and the value covered by facilitating measures fell. The report draws attention to this shift, and to the fact that it is taking place at a time of heightened trade tensions and associated rhetoric, which should be of concern to the international community.

- KAZAKHSTAN TO HOST WTO'S NEXT MINISTERIAL CONFERENCE: WTO members have accepted Kazakhstan's invitation to host, in Astana, the organization's Twelfth Ministerial Conference (MC12) to be held in 2020. The decision was taken by consensus at today's General Council meeting (26 July 2018) and marks the first time a Ministerial Conference is to be organized in Central Asia.
- WTO MEMBERS TAKE UP DISCIPLINES ON SUBSIDIES TO IUU FISHING AT JULY MEETINGS: WTO members in the Negotiating Group on Rules exchanged views and information on disciplines to prohibit subsidies to illegal, unreported and unregulated (IUU) fishing at their 24-26 July cluster of meetings on fisheries subsidies (the third such cluster this year). Members also discussed how to organize the negotiating work in September-December, with a mix of activities including technical sessions, brainstorming, text-based discussions and time for bilateral meetings among delegations.

## **12. U.S. Government Contracting**

- DoD/DSS: OMB Information Collection Submission - Certificate Pertaining to Foreign Interest; SF328 - Deadline for Public Comment: Aug. 27, 2018
- DoD/Navy: Notice of Availability of Government-Owned Inventions; Available for Licensing

## **13. U.S. Customs and U.S. Census/AES Updates**

- U.S. Customs - CSMS #18-000454 Title: PRODUCTION ACE Protest & CQ Deployment, Thurs July 26, 2018 @0500ET
- U.S. Customs - CSMS #18-000455 Title: AESTIR Appendix C – ISO Country Codes update - Swaziland has been changed to Eswatini
- U.S. Customs - CSMS# 18-000456 - ACE PRODUCTION Scheduled Maintenance, Sat. Jul 28, 2018 @ 2200 to 0200 ET Sunday, Jul 29
- U.S. Customs - CSMS #18-000457 Title: Additional item for Prod ACE Truck Manifest deployment this weekend
- U.S. Customs - CBP to adjust hours at ports of Danville and Metaline Falls

- U.S. Customs - CBP Welcomes a New Federal Inspection Station inaugurated at the Luis Muñoz Marin International Airport
- U.S. Customs - Detroit Trade Day 2018
- U.S. Customs - ICE removes British man convicted in conspiracy to illegally export sensitive technologies to Syria
- U.S. Customs - Section 301 Trade Remedies Frequently Asked Questions
- U.S. Customs - Antidumping and Countervailing Duties (AD/CVD) Update Summer 2018
- U.S. Customs - COAC Quarterly Meeting (Webinar) August 1, 2018 - Washington, DC
- U.S. Customs - August 1 2018 COAC TERC Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Export Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Trusted Trader Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Trade Modernization Trade Executive Summary
- U.S. Customs - Customs Bulletin and Decisions - Vol. 52, July 25, 2018, No. 30 Index

#### General Notices

##### U.S. Court of International Trade Slip Opinions

- U.S. Census/Global Reach Blog - U.S. Exports by Metropolitan Area
- U.S. Census - Preliminary: U.S. Imports for Consumption of Steel Products June 2018 - The U.S. Census Bureau has announced that preliminary June steel imports were \$2.2 billion (2.2 million metric tons) compared to the preliminary May totals of \$2.7 billion (2.6 million metric tons).
- U.S. Census - The Advance International Trade in Goods Deficit Increased in June 2018

## **14. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**

- Commerce/E&C - Aluminum Extrusions From the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2016-2017

- Commerce/E&C - Aluminum Extrusions From the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2016
- Commerce/E&C - Carbon Steel Butt-Weld Pipe Fittings From the People's Republic of China: Preliminary Affirmative Determination of Circumvention of the Antidumping Duty Order
- Commerce/E&C - Certain New Pneumatic Off-the-Road Tires From India: Notice of Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Certain New Pneumatic Off-The-Road Tires From Sri Lanka: Notice of Court Decision Not in Harmony With Final Affirmative Countervailing Duty Determination, Notice of Amended Final Determination and Revocation of Countervailing Duty Order
- Commerce/E&C - Certain Preserved Mushrooms From the People's Republic of China: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Citric Acid and Certain Citrate Salts From Belgium, Colombia and Thailand: Antidumping Duty Orders
- Commerce/E&C - Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2015-2016
- Commerce/E&C - Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Notice of Partial Rescission of Antidumping Duty Administrative Review; 2016-2017
- Commerce/E&C - Drawn Stainless Steel Sinks From the People's Republic of China: Final Results of the Expedited First Sunset Review of the Countervailing Duty Order
- Commerce/E&C - Multilayered Wood Flooring From the People's Republic of China: Final Results of Antidumping Duty Administrative Review, Final Determination of No Shipments, and Partial Rescission; 2015-2016
- Commerce/E&C - Multilayered Wood Flooring From the People's Republic of China: Notice of Court Decision Not in Harmony With the Second Amended Final Determination and Notice of Third Amended Final Determination of the Antidumping Duty Investigation
- Commerce/E&C - Seamless Refined Copper Pipe and Tube From the People's Republic of China: Rescission of Antidumping Duty Administrative Review; 2016- 2017
- Commerce/E&C - Steel Wire Garment Hangers From Taiwan: Rescission of Antidumping Duty Administrative Review; 2016-2017

- USITC - Certain Lithography Machines and Systems and Components Thereof (I): Notice of Receipt of Complaint; Solicitation of Comments Relating to the Public Interest
- USITC - Certain Lithography Machines and Systems and Components Thereof (II): Notice of Receipt of Complaint; Solicitation of Comments Relating to the Public Interest
- USITC - Certain Load Supporting Systems, Including Composite Mat Systems, and Components Thereof: Commission Determination Not To Review an Initial Determination Granting a Joint Motion To Terminate the Investigation Based on Consent Orders and a Settlement Agreement; Issuance of Consent Orders; Termination of the Investigation
- USITC - Certain Toner Cartridges and Components Thereof: Commission Determination Not To Review an Initial Determination Amending the Complainant and Notice of Investigation

## **15. GAO Reports, Testimony, and Correspondence of Interest**

- HIGH-RISK SERIES: Urgent Actions Are Needed to Address Cybersecurity Challenges Facing the Nation: GAO-18-645T: Published: Jul 25, 2018. Publicly Released: Jul 25, 2018.
- AVIATION SECURITY: Basic Training Program for Transportation Security Officers Would Benefit from Performance Goals and Measures GAO-18-552: Published: Jul 26, 2018. Publicly Released: Jul 26, 2018.
- GAO WatchBlog: Cybersecurity—New Risks and Threats

## **16. U.S. Government Trade Forms and Other Information Collections Open for Public Comment**

(83 Fed. Reg. 35210) - Agency: U.S. Dept. of Commerce/International Trade Administration (ITA) - Title: Swiss-U.S. Privacy Shield; Invitation for Applications for Inclusion on the Supplemental List of Arbitrators - Agency Form No.: None - Type of Review: Regular submission - Deadline for Public Comment: Sept. 24, 2018

(83 Fed. Reg. 35674) - Agency: U.S. Dept. of Homeland Security/U.S. Customs and Border Protection (CBP) - Title: Visa Waiver Program Carrier Agreement - Agency Form No.: CBP Form I-775 - Type of Review: Extension (without change) - Deadline for Public Comment: Sept. 25, 2018

## **Other Headlines**

## **17. Congress to Ease Russia Sanctions amid Clamor for Tougher Measures**

Washington Post.com, July 24 - Bowing to pressure from the Trump administration, lawmakers unveiled a sweeping defense policy bill Tuesday that would give the president greater power to forgo certain Russia-related penalties. The move to scale back sanctions stands in sharp contrast to mounting bipartisan fervor in the Senate to get tougher on Russia after a summit between President Trump and Russian President Vladimir Putin that

was roundly decried as an embarrassment and a missed opportunity to deal harshly with the Kremlin over election interference. Lawmakers have unleashed a flurry of bills, resolutions and other initiatives to try to force Trump to step up penalties against Russia. There is also pressure to take steps before Putin can make good on an invitation from Trump to visit the United States this fall — though at this juncture, the State Department is unaware of any formal invitation, and Russian authorities say they are making no formal preparations for a second summit.

## **18. U.S. Technology Sent to Chinese Police Was within Rules, Commerce Department Says**

Wall Street Journal.com, July 26 - The U.S. Commerce Department deflected a Congressional committee's concerns that it is doing an insufficient job stopping U.S.-made technology from playing a role in oppressive policing in China. The department, in a letter from Commerce Secretary Wilbur Ross, also said DNA sequencers used by Chinese police and made by Waltham, Mass.-based Thermo Fisher Scientific Inc. were not subject to U.S. licensing rules that control the sale of crime-busting equipment to foreign countries. The devices were described in a Wall Street Journal article last December that highlighted the ways that Chinese police gather DNA samples from many citizens who aren't criminal suspects, sometimes resorting to trickery. The Journal story followed a report by Human Rights Watch that identified Thermo Fisher as a supplier of some DNA sequencers to police in China's restive Xinjiang province. "The items are low-technology products that are available from worldwide sources, including indigenous Chinese sources, and have numerous legitimate end-uses," including in education, medical research and forensics, according to Mr. Ross's letter, which is dated June 11 and has not been previously reported.

## **19. Mattis Makes New Plea to HASC for Russian Sanctions Relief**

Breaking Defense.com, July 25 - Defense Secretary James Mattis fired off a new letter to House Armed Services leadership on Tuesday, asking lawmakers again to vote in favor of waivers for certain countries Washington is trying to sway into its orbit, but who continue to do business with Russian defense firms. The letter was delivered to HASC chairman Rep. Mac Thornberry and Ranking Member Rep. Adam Smith on Tuesday, a day before the full House was set to vote on the 2019 National Defense Authorization Act containing language broadly supporting the waivers. In the missive (which can be found here) obtained by Breaking Defense, Mattis asked for the Secretary of State to be given the ability to waive sanctions so the United States could "sell military equipment and enable countries pulling away from the Russian orbit." He wrote that the waivers "would not benefit Russia; it will only benefit the U.S. and countries willing to pursue a security relationship with us."

## **20. House OKs More Subs, Pumps \$250M More into Industrial Base**

Breaking Defense.com, July 26 - In the drama-free weeks leading up to Thursday's overwhelming passage of the compromise \$716 billion defense policy bill by the House of Representatives, lawmakers sent a pretty clear signal to the White House: we want more submarines. With concerns rising over the growing prowess of Russian and Chinese undersea capabilities, and standoff air and sea defenses shutting off access to the littoral for large surface ships and many aircraft, both lawmakers and the Navy have said that they'll need more subs — and more quickly — than previous plans allocated. . . . The bill also authorizes about \$237 million more than the White House requested — \$3.2 billion — to

continue work on new Columbia-class submarines. It also plumps down an additional \$250 million to strengthen the submarine industrial base as it scrambles to replace the current Ohio-class subs. That extra money for the base is meant to ensure that smaller second- and third-tier suppliers can meet increased production demands for both the Columbia and Virginia class submarine programs.

## **21. The Fate of DISA and Other Org Chart Changes in the New Defense Policy Bill**

DefenseNews.com, July 25 - The Defense Information Systems Agency and other so-called "fourth estate" agencies were spared the ax, but a potpourri of Pentagon organizational changes have made it into this year's massive, must-pass defense authorization bill. The Senate and House came together Monday on a \$716 billion bill that softened House-passed language to eliminate DISA and other agencies in the name of efficiency. But what survived could drive future efforts to slash Pentagon bureaucracy: a series of high-stakes reviews by DoD's chief management officer aimed at cutting costs DoD-wide. The report for the sweeping 2019 National Defense Authorization Act is expected to come to a vote in the House this week and the Senate next week. The annual must-pass bill covers military hardware, personnel and a wide swath of hot-button national security issues. Earlier drafts of the bill, spearheaded by House Armed Services Committee Chairman Mac Thornberry, targeted DISA and six other offices by name. But the conference report eliminates the direct mention of the agency — which oversees a huge swath of DoD networks and IT, has a total budget of nearly \$10 billion and employs more than 12,000 people.

## **22. Talking Trade with Former BIS Chief Eric Hirschhorn**

American Shipper.com, July 10 - From April 2, 2010 to Jan. 20, 2017, Eric L. Hirschhorn served as undersecretary of commerce for industry and security and headed the U.S. Commerce Department's Bureau of Industry and Security (BIS), a federal agency with responsibility for ensuring that the country's most sensitive commercial technologies do not end up in the hands of adversary nations or terrorist organizations for potential misuse. However, his work in both the private and public sectors within the area of U.S. export control regulations spans four decades and seven presidential administrations. The Adam Smith Project recently sat down with Hirschhorn, who remains active in various Washington, D.C.-based legal and international affairs activities, to discuss the recent evolution of the country's export controls and where he believes they're headed.

## **23. US Acts to Release \$195M in Suspended Military Aid to Egypt**

DefenseNews.com, July 25 - The United States has decided to release \$195 million in military aid to Egypt after withholding the assistance last year over human rights concerns, the State Department announced Wednesday. The department said the decision follows steps Egypt has taken in response to specific U.S. concerns, and it cited stronger U.S.-Egypt ties in security and counterterrorism while also acknowledging remaining areas of concern about human rights and governance. Independent monitoring groups have documented continued human rights abuses in Egypt over the past year. The New York-based Human Rights Watch describes the situation in Egypt as the "worst human rights crisis in the country in decades." Egyptian police, the group said, systematically use "torture, arbitrary arrests and enforced disappearances to silence political dissent," according to a recent assessment. Amnesty International reported an escalation in Egypt's crackdown on civil

society and pointed to routine “grossly unfair” trials of government critics, peaceful protesters, journalists and human rights defenders.

## **24. Trump, E.U. Announce Deal to Avert Escalation of Trade Tensions**

Washington Post.com, July 25 - The United States and the European Union stepped back from the brink of an escalating trade war Wednesday, with the unexpected announcement of a process to ease tensions and avoid further tariffs. In an appearance in the White House Rose Garden, President Trump and European Commission President Jean-Claude Juncker said they had agreed to hold off on proposed car tariffs, and work to resolve their dispute on steel and aluminum tariffs, while pursuing a bilateral trade deal. “While we are working on this, we will not go against the spirit of this agreement unless either party terminates the negotiation,” Trump said. “We also will resolve the steel and aluminum tariff issues, and we will resolve retaliatory tariffs.” While Washington and Brussels pursue those aims, the E.U. will import more U.S. soybeans and liquefied natural gas, or LNG, although Juncker suggested that that agreement came with conditions.

## **25. Trump’s Pact With Europe Points to Tactical Shift on ‘America First’**

Wall Street Journal.com, July 26 - President Trump’s truce with the European Union signals a tactical shift in his “America First” trade policy, as he scrambles to show successes after an intensifying revolt from Republican lawmakers and American businesses. But beyond a shift in rhetoric, the concrete results so far remain minimal. Europeans touted Wednesday’s joint statement as reaffirming a trans-Atlantic free-trade relationship that Mr. Trump had openly questioned, without forcing them to make concessions to Washington’s demands. Mr. Trump and European Commission President Jean-Claude Juncker, in their hastily arranged White House ceremony, pledged to work toward negotiating a broad reduction in tariffs on industrial goods and to cooperate against unfair Chinese trade practices. The U.S. agreed not to impose tariffs on European autos as long as negotiations are ongoing, while the EU also said it would try to boost purchases of U.S. liquefied natural gas and soybeans.

## **26. Trump Relents on EU Car Tariffs, as U.S.-China Fight Derails Qualcomm Deal**

Reuters.com, July 25 - In what the EU chief called a “major concession,” U.S. President Donald Trump agreed on Wednesday to refrain from imposing car tariffs while the two sides launch negotiations to cut other trade barriers, easing the threat of a transatlantic trade war. After a meeting at the White House, Trump and European Commission President Jean-Claude Juncker said the talks would also seek to “resolve” U.S. tariffs on steel and aluminum and Europe’s retaliatory duties - marking a step back from Trump’s signature import protections for American metals producers. The breakthrough came as the bitter trade dispute between the United States and China appeared to claim a major casualty, with China not approving U.S. chipmaker Qualcomm Inc’s takeover of NXP Semiconductors, likely shutting the door on the \$44 billion deal. Qualcomm needed Beijing’s okay because China accounts for nearly two-thirds of its revenue, but a deadline at midday on Thursday in Asia passed without word from China’s regulator. Qualcomm had said on Wednesday it was dropping the bid.

## **27. Chinese Deals Lose Luster for Officials across the U.S.**

Wall Street Journal.com, July 25 - Some states and cities in the U.S. are growing wary of Chinese investment after a deal boom that raised national-security concerns and failed to deliver promised jobs. Chinese developer Tan Zhixing rolled into rural Tyler, Texas, last September with a plan to spend \$1.6 billion on a housing complex that promised to bring thousands of Chinese students to attend local schools and create more than 1,000 jobs for the surrounding county. But local officials and their constituents are now raising concerns—including potential security risks, doubts about Mr. Tan's ability to fund the project, and the cost to taxpayers of new infrastructure. City officials haven't approved necessary zoning changes, and it's unclear if Mr. Tan will try to move forward. A spokeswoman for Mr. Tan didn't respond to requests for comment. Critics have singled out Chinese deals as national-security risks on the grounds the companies may be directed and subsidized by the government of China, an economic and military rival.

## **28. Visa Restrictions for Chinese Students Alarm Academia**

New York Times.com, July 25 - President Trump's confrontation with China is beginning to ripple through American academic and research institutions, as a crackdown on visas for certain Chinese citizens has left the higher education community wondering how it will adapt to the administration's effort to stop intellectual property theft and slow China's push for technological supremacy. Educators and academic groups fear that the additional scrutiny could hinder scientific innovation, alienate talented applicants or intensify aggressions toward Chinese scientists already in the country. Academics are already wrestling with the increased attention. At an aerospace conference in Georgia last month, Ella Atkins, a University of Michigan professor, recalled a colleague approaching her with a dilemma. The colleague, an assistant professor at another university, had recently led and submitted a research proposal for a federal grant. But he worried that because he was Chinese, the judges would be biased against his team.

## **29. The Morning Risk Report: Security Concerns Quash Sale of German Company**

Wall Street Journal.com, July 27 - The German government has decided to ban for the first time the sale of a German company to a Chinese suitor on security grounds, an official from the German ruling coalition parties said Thursday. The decision to block the sale of machine tool company Leifeld Metal Spinning AG to a Chinese investor came after an extensive review that led the government to the conclusion such a transaction would be a "risk to public order and safety," WSJ's Andrea Thomas reports, citing the official, who declined to be named. The move illustrates how concerned Germany is about growing appetite for German technology, which analysts say is a key factor behind the strength of Germany's export-reliant economy. The veto was made possible after the German government adopted legislation last year to make it easier to veto takeovers of strategically important companies if the investment puts the public order or safety at risk. The move effectively—though not nominally—targets China's attempt to acquire key technology. The new rules apply mainly to targets in the defense sector and developers of critical software powering financial and telecommunications services, public transport or power grids.

## **30. DoD, Industry Sparring Over New Cyber Rules, Ellen Lord Says**

Breaking Defense.com, July 27 - The Defense Department is working on a "do not buy" list of software vendors who may have been compromised by foreign governments, but is still in the early stages of formulating a plan to ensure the defense industry follows suit. Ellen Lord, the Pentagon's chief weapons buyer, told a small group of reporters here Friday morning that her office is trying to put rules in place to protect against buying "software that has Russian or Chinese provenance, for instance, and quite often that's difficult to tell at first glance because of holding companies," that move the software through the open market. The concern over compromised technology has been heightened after a series of high-profile hacking incidents where U.S. shipbuilding plans and other programs have been compromised by Chinese hackers. Pentagon leadership is especially sensitive to the issue as they rush to keep ahead of Chinese and Russian military modernization programs in areas like hypersonics, satellites, drones, and submarine warfare. Last month, the Pentagon's deputy secretary for intelligence, Kari Bingen, told the House Armed Services Committee that the military needs to "establish security as a fourth pillar in defense acquisition," joining cost, schedule, and performance, while making security "a major factor in competitiveness for U.S. government business."

## **31. Air Force to Establish New Rapid Sustainment Office**

National Defense Magazine.org, July 25 - The Air Force is setting up a new Rapid Sustainment Office to help keep aircraft flying, the service's top official announced July 25. Seventy percent of the lifecycle cost of an aerial platform stems from maintenance requirements, Air Force Secretary Heather Wilson noted during remarks at an event in Washington, D.C., hosted by the Washington Post. The Rapid Sustainment Office will "drive down the cost" of replacement parts and mitigate bottlenecks in the supply chain, she said. "There are new technologies in manufacturing that mean [that] we don't have to go out to a supplier, some of whom are no longer in business," she said. "Just in the first quarter of this year, we had 10,000 requests for parts ... [where] there wasn't even a single bidder because the company is no longer in business [or] there's no business case for one part," she added. To illustrate her point, Wilson pointed to a trim wheel for the rudder of a KC-135 aerial refueling tanker. "It's a vital piece of equipment," she said. "The company that makes them is no longer in business, [so] we reversed engineered this and 3D-printed it."

## **32. Lockheed Tees Up MDC2 Wargame; Sells AI C2 System**

Breaking Defense.com, July 24 - From the first, Lockheed Martin has been out front discussing Multi-Domain Operations. The company has set up something like an Integrated Product Team to coordinate work across the world's biggest defense company and bring the right products together for the US military as it tries to build a global network of sensors, communications devices and data fusion engines — all of it made useful by Artificial Intelligences made useful by machine learning. The man leading those efforts, Rob Smith, sat down with me at the air show. The video includes the first few minutes of our conversation. The rest you need to read! Perhaps the biggest news is that a new command and control system Lockheed is selling to an unnamed international customer includes automated "enemy intent analysis." So, the Diamond Shield system takes the enormous amount of data gathered by the system, uses Artificial Intelligence to analyze it and tells commanders what it thinks the enemy will do. It also, Smith told me, automatically generates air task orders for pilots and bombers to use.

## **33. The U.S. Navy's Fighter Woes Are Boosting Boeing's Bottom Line**

DefenseNews.com, July 27 - The Navy's ongoing aviation readiness crisis has been a boon for Boeing as the Navy looks to make its Super Hornet fleet healthy again after years of hard use in the war on terror. Boeing's Super Hornets are helping push its Defense operation's sales in a positive direction, contributing to a more than 10 percent year-to-date sales growth, according to analysts and company executives speaking on a quarterly earnings call this week. A total of 46 new Super Hornets – 18 for the U.S. Navy and 28 for Kuwait – are leading the way, but the company is also making a lot of money on the Navy's quest to modernize and extend the life of its workhorse jets. All told, the Navy is planning to modernize all its current jets and buy dozens more in its quest to dig out of a severe readiness hole. Boeing Defense has seen an 11 percent year-over-year sales boost so far this year, said defense analyst Jim McAleese, and company executives said the cash flow from the Navy's F/A-18 recapitalization isn't slackening any time soon.

### **34. Boeing's KC-46 Penalties Now Up to \$3.4B Thanks to New \$426M Charge**

DefenseNews.com, July 26 - Another financial quarter meant another financial hit for Boeing, which disclosed \$426 million in cost overruns to the KC-46 tanker program during an earnings call Wednesday. The newest charge brings Boeing up to \$3.4 billion in pretax overruns on the program, and — due to its fixed-price contract with the U.S. Air Force — the company is required to foot the bill. The price growth was attributed to delays in the certification process as well as "higher estimated costs" for incorporating needed modifications to six flight test and two early-build aircraft. After tax, the charges come down to about \$334 million, said Boeing CEO Dennis Muilenburg during the July 25 earnings call. "We continue to make steady progress towards final certification for the KC-46 tanker and recently completed all flight tests required to deliver the first aircraft, which is expected to be in October of this year, as now agreed upon with the U.S. Air Force," he said. "This is a significant milestone for us and our customer, representing the culmination of three years of testing and over 3,300 flight hours." Now that the flight testing needed for first delivery is complete and the final configuration of each KC-46 has been defined, Boeing can move ahead on wrapping up the manufacture of the first eight aircraft, Muilenburg said.

### **35. Airbus CEO Denies Seeking Fighter-Unit Merger with BAE Systems**

Reuters.com, July 26 - Airbus Chief Executive Tom Enders sought on Thursday to clarify recent comments about fighter consolidation in Europe, saying he did not see a corporate merger of the combat jet activities of Airbus, BAE Systems or others any time soon. Enders, who was quoted earlier this week as raising the prospect of a merger, told reporters in an earnings conference call that he had been talking instead about the need for European nations to co-operate on competing fighter projects. "Of course, I was not suggesting that we should merge the military aircraft activities of BAE, Airbus and whoever else rightaway," said Enders, who had failed to win political support for a full merger of Airbus and BAE in 2012. "What I was suggesting was that it makes a lot of sense, as we have two projects in Europe - a Franco-German and a British-led project - that politicians as well as industrialists try to converge those, and that there is time to do that because the developments are still some years away." Enders had been quoted in the Sunday Times as saying he was open to the idea of a merger of his firm's jet fighter business with that of BAE Systems.

## **36. Thanks to Inflation, Airbus Takes Major Financial Hit, Again, on Largest Military Program**

DefenseNews.com, July 26 - Airbus took a further financial hit on the A400M military airlifter program, booking €98 million (U.S. \$115 million) of provisions in results for the first half the year. The hit mainly stems from price escalation, the company said in a statement on the first-half results, reported July 26. For the A400M, Airbus saw price increases in labor and equipment above those agreed in the production contract. Those provisions add to previous provisions totaling €7.2 billion — all thank to this reality, stated by Sash Tusa, an analyst with an equity research firm, Agency Partners: "Costs in the aeronautical industry escalate, but Airbus has not been able to reclaim these under the current situation. In the U.S. there are producer price indices for the aeronautics sector, but the A400M reflects price increases in the euro zone. Airbus carries a heavy burden of financial risk under the present contract, even as the company adds capabilities to the aircraft and continues talks with the core seven client nations for easing the production contract."

## **37. Pentagon Hopes JEDI Contract Good for the Force**

Breaking Defense.com, July 26 - The JEDI cloud computing contract may be one of the most controversial deals the Pentagon hasn't even awarded. Worth up to \$10 billion over a decade, the Pentagon's attempt to build its first true enterprise-wide cloud has sparked charges that the deal is designed to go straight to Amazon, who already supplies the CIA with its cloud services. The RFP, approved by Ellen Lord, the head of Pentagon acquisition on July 19, includes an initial two-year base, two consecutive three-year options and a final two-year option. Those first two years are designed to test the system and make sure it meets security and other operational standards. In a clear signal to companies who've been complaining that the deal looked cooked to serve up Amazon, Lord's approval includes this sentence: "The contract will be awarded pursuant to full and open competition." It seems pretty clear that the Pentagon is issuing this first contract to test cloud service and figure out how the services use them. Lt. Gen. VeraLinn "Dash" Jamieson, head of Air Force ISR, said this morning that she doesn't want her service to depend on one cloud provider in the long run. "If I have a multi-cloud, I've given him (the enemy) a targeting problem," she said.

## **38. The Company Astronaut**

Washington Post.com, July 24 - He still looks every bit the NASA astronaut he once was. Same chest-out posture. Same Top Gun instincts. Same American flag on the left shoulder of his flight suit. Chris Ferguson even has a call sign, "Fergy." There is one small detail that sets Ferguson apart from the NASA astronauts he is training alongside. Where they have the space agency's red-white-and-blue logo on their spacesuits, he wears Boeing's corporate insignia — a small accessory that symbolizes what the space agency hopes is a new era in space travel. Ferguson retired from NASA after serving as the commander of the last space shuttle mission in 2011. Today, he's a corporate astronaut who is hoping to make history as the first private citizen to launch to orbit on a commercially operated rocket. As a test pilot of the inaugural flight of Boeing's Starliner spacecraft, he would serve alongside NASA's astronauts. But NASA hopes his presence on the mission to the International Space Station augurs a long-awaited next chapter in America's human spaceflight program, one where commercial ventures have ended the government's long-held monopoly in space with the hope of making it accessible to civilians.

## **39. Salient CRGT Wins \$34M Task Order to Deliver IT Support to the Defense Technology Security Administration**

PR Newswire.com, July 25 - Salient CRGT, Inc. was awarded a new task order under its CIO-SP3 contract vehicle to provide enterprise IT support to the Defense Technology Security Administration (DTSA). This 5-year (1-year base, 4-year options) task order has an anticipated ceiling of \$34.5 million. Salient CRGT has been supporting the Defense Technology Security Administration (DTSA) Security Policy Automation Systems since 1980. This task order also supports USXPORTS, an interagency program to support the Department of Defense's (DoD) Presidential Initiative for Export Control Reform to reduce license processing times by providing more flexibility and automation in staffing across multiple agencies. Team Salient CRGT will provide software development, project management, and operations and maintenance support to the DTSA Security Policy Automation Network (SPAN) and the USXPORTS interagency program. The team will streamline the current USXPORTS system through enhancements to best meet the business needs for the interagency Export Control Adjudication processes.

## **40. Opinion: When the World Opened the Gates of China**

Wall Street Journal.com, July 27 - With a congressional vote looming in the spring of 2000, President Bill Clinton mustered his best arguments for why lawmakers should approve his proposed deal for China to join the World Trade Organization. Adding China would link Beijing to Western economies and reduce the government's ability to control its vast population, he said in a speech that March at Johns Hopkins's School of Advanced International Studies. "By joining the WTO, China is not simply agreeing to import more of our products, it is agreeing to import one of democracy's most cherished values, economic freedom," Mr. Clinton said. "When individuals have the power not just to dream, but to realize their dreams, they will demand a greater say." Mr. Clinton's idealistic rhetoric played well among most of Washington's elites, but a trade lawyer often dismissed as a protectionist, Robert Lighthizer, was skeptical. As he had warned in a New York Times op-ed a few years earlier, if admitted to the WTO, mercantilist China would become a "dominant" trading nation. "Virtually no manufacturing job in [the U.S.] will be safe," he wrote. Mr. Lighthizer is now the U.S. Trade Representative, President Donald Trump's chief negotiator on global trade.

## **Upcoming Export Control and Other Trade Compliance Conferences - NEW EVENTS ADDED!**

**July 30-31 - National Customs Brokers & Forwarders Association of America, Inc. - GTEC - Global Trade Educational Conference 2018 - Dallas - Hilton Dallas Lincoln Center**

**Aug. 14-15 - U.S. Dept. of Homeland Security/U.S. Customs and Border Protection (CBP) - 2018 Trade Symposium - Atlanta - Marriott Marquis Hotel**

**Aug. 14-15 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and Professional Association of Exporters and Importers - Complying with U.S. Export Controls - Milpitas, California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Aug. 16 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and Professional Association of Exporters and Importers - Encryption Controls - Milpitas, California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Sept. 5 - IDEEA, Inc. - ComDef 2018 - Washington, DC - National Press Club - Gary Stanley, Editor of Defense and Export-Import Update, will again moderate the panel "Export Control Update" at this annual conference for the defense industry.**

**Sept. 12-13 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) - Complying with U.S. Export Controls - Smithfield, Rhode Island - Bryant University, 1150 Douglas Pike**

**Sept. 13-17 - International Compliance Professionals Association (ICPA) -2018 ICPA@SEA - Galveston, TX to Cozumel**

**Sept. 19-20 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) & Southern California District Export Council - Complying with U.S. Export Controls, LA 2018 - Los Angeles - Westin Los Angeles Airport Hotel**

**Sept. 19-20 - SMi Group - Defence Exports 2018 - Rome - Crowne Plaza Rome St. Peter's Hotel & Spa - Gary Stanley, Editor of Defense and Export-Import Update, is proud to be once again chairing this event and conducting a related Sept. 18 workshop on "Jurisdiction, Classification, and Licensing: How to Police Your U.S. Suppliers"**

**Sept. 25-26 - American Conference Institute - 11th West Coast Conference on FCPA Enforcement and Compliance - San Francisco - Marines' Memorial Club and Hotel**

**Sept. 25-26 - American Conference Institute - 4th Canadian Forum on Global Economic Sanctions Compliance & Enforcement - Toronto**

**NEW - Sept. 28 - Society for International Affairs - 2018 Fall Golf Outing - Woodbridge, Virginia - Old Hickory Golf Club**

**Oct. 1 - Chatham House (The Royal Institute of International Affairs) - Illicit Financial Flows 2018 - London - 10 St James's Square London SW1Y 4LE**

**Oct. 16-18 - Partnerships International, inc. - "Partnering for Compliance™" West 2018 - Fort Worth - Dallas-Fort Worth Marriott South Airport Hotel**

**Oct. 21-23 - International Compliance Professionals Association (ICPA) - 2018 ICPA Fall Conference - Grapevine, TX - Embassy Suites DFW Airport North**

**NEW - Oct. 22-23 - Society for International Affairs - 2018 Fall Advanced Conference - Arlington, Virginia - Crystal Gateway Marriott Hotel**

**Oct. 30 - American Conference Institute - 4th Asia Pacific Economic Sanctions Compliance and Enforcement - Singapore - Marriott Singapore Tang Plaza Hotel**

**Oct. 31 - Nov. 1 - American Conference Institute - 7th Asia Pacific Summit on Anti-Corruption Compliance and Risk Management - Singapore - Marriott Singapore Tang Plaza Hotel**

**Nov. 8-9 - International Compliance Professionals Association (ICPA) - 2018 Annual China Conference - Shanghai - Four Seasons Hotel**

**Nov. 27-30 - American Conference Institute - 35th International Conference on the Foreign Corrupt Practices Act - Washington, DC - Gaylord National Resort & Convention Center**

**NEW - Dec. 7 - Society for International Affairs - 2018 Holiday Party - Washington, DC - Nationals Park, 1500 South Capitol St., S.E.**

**NEW - March 4-6 - Society for International Affairs - 2019 Winter Back to Basics Conference - Savannah, Georgia - Savannah Marriott Riverfront Hotel**

**NEW - March 24-27 - International Compliance Professionals Association (ICPA) - 2019 ICPA Annual Conference - Orlando, Florida - Disney Coronado Springs Resort**

**NEW - May 15-17 - International Compliance Professionals Association (ICPA) - 2019  
ICPA Canada Conference - Toronto - Hyatt Regency Toronto Hotel**

We hope this update proves helpful. If you have questions about any of these developments, please do not hesitate to call us. If you received this free newsletter from a colleague or friend and would like to subscribe directly, please just e-mail your name, title, company, and e-mail address to [REDACTED]@glstrade.com.

Cordially yours,

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**From:** Gary Stanley [redacted]@glstrade.com]  
**Sent:** 7/29/2018 10:21:30 PM  
**To:** John Sonderman [John.Sonderman@bis.doc.gov]  
**Subject:** Defense and Export-Import Update (July 27, 2018)

**Dear All,**

**Good Day!**

**Gary Stanley's EC Tip of the Day:** ITAR § 124.1(a) provides that its requirements regarding authorization of defense services apply whether or not technical data is to be disclosed or used in the performance of the defense services described in ITAR §120.9(a) (e.g., all the information relied upon by the U.S. person in performing the defense service is in the public domain or is otherwise exempt from ITAR licensing requirements pursuant to ITAR § 125.4). The requirements also apply to the training of any foreign military forces, regular and irregular, in the use of defense articles.

**Today's Items:**

- 1. DDTC Temporarily Excludes Certain Technical Data from USML Category I**
- 2. DDTC Posts Public Comments on Proposed Changes to USML Categories I-III**
- 3. BIS Seeks Public Comment on Section 232 National Security Investigation of Imports of Uranium**
- 4. The United States and France Take Coordinated Action on Global Procurement Network for Syria's Chemical Weapons Program**
- 5. State Dept. Continues Designations of al-Shabaab as a Foreign Terrorist Organization**
- 6. UK Government's Export Control Joint Unit Issues Notice to Exporters 2018/19 on Launch of Consultation on the National Security and Investment White Paper**
- 7. 3M Company Agrees to Pay \$9.1 Million to Resolve Allegations That it Supplied the United States with Defective Dual-Ended Combat Arms Earplugs**
- 8. DoD/DSCA Notifies Congress of Possible FMS to Bahrain of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90)**
- 9. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**
- 10. Commerce/ITA Seeks Participants for Annual U.S. Industry Program at the IAEA General Conference**
- 11. WTO News**
- 12. U.S. Government Contracting**
- 13. U.S. Customs and U.S. Census/AES Updates**
- 14. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**
- 15. GAO Reports, Testimony, and Correspondence of Interest**
- 16. U.S. Government Trade Forms and Other Information Collections Open for Public Comment**

**Other Headlines**

- 17. Congress to Ease Russia Sanctions amid Clamor for Tougher Measures**
- 18. U.S. Technology Sent to Chinese Police Was within Rules, Commerce Department Says**
- 19. Mattis Makes New Plea to HASC for Russian Sanctions Relief**
- 20. House OKs More Subs, Pumps \$250M More into Industrial Base**
- 21. The Fate of DISA and Other Org Chart Changes in the New Defense Policy Bill**
- 22. Talking Trade with Former BIS Chief Eric Hirschhorn**
- 23. US Acts to Release \$195M in Suspended Military Aid to Egypt**
- 24. Trump, E.U. Announce Deal to Avert Escalation of Trade Tensions**
- 25. Trump's Pact With Europe Points to Tactical Shift on 'America First'**
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- 39. Salient CRGT Wins \$34M Task Order to Deliver IT Support to the Defense Technology Security Administration**
- 40. Opinion: When the World Opened the Gates of China**

**Upcoming Export Control and Other Trade Compliance Conferences - NEW EVENTS ADDED!**

## **1. DDTC Temporarily Excludes Certain Technical Data from USML Category I**

The U.S. Department of State's Directorate of Defense Trade Controls (DDTC) has posted on its website a notice that consistent ITAR § 126.2, the Acting Deputy Assistant Secretary for Defense Trade Controls has determined that it is in the interest of the security and foreign policy of the United States to temporarily modify United States Munitions List (USML) Category I to exclude the following technical data identified in the Settlement Agreement for the matter of *Defense Distributed, et al., v. U.S. Department of State, et al.*, Case No. 15-cv-372-RP (W.D. Tex.) (hereinafter "Defense Distributed"):

- “Published Files,” i.e., the files described in paragraph 25 of the Second Amended Complaint in Defense Distributed.
- “Ghost Gunner Files,” i.e., the files described in paragraph 36 of the Second Amended Complaint in Defense Distributed.
- “CAD Files,” i.e., the files described in paragraph 40 of the Second Amended Complaint in Defense Distributed.
- “Other Files,” i.e., the files described in paragraphs 44-45 of the Second Amended Complaint in Defense Distributed, insofar as those files regard items exclusively: (a) in Category I(a) of the USML, as well as barrels and receivers covered by Category I(g) of the USML that are components of such items; or (b) items covered by Category I(h) of the USML solely by reference to Category I(a), excluding Military Equipment. Military Equipment means (1) Drum and other magazines for firearms to .50 caliber (12.7 mm) inclusive with a capacity greater than 50 rounds, regardless of jurisdiction of the firearm, and specially designed parts and components therefor; (2) Parts and components specially designed for conversion of a semi-automatic firearm to a fully automatic firearm; (3) Accessories or attachments specially designed to automatically stabilize aim (other than gun rests) or for automatic targeting, and specially designed parts and components therefor.

This temporary modification will remain in effect while the final rule referenced in paragraph 1(a) of the Settlement Agreement is in development. Please see the Settlement Agreement and the Second Amended Compliant for additional information. See also this Harvard Law School case analysis.

## **2. DDTC Posts Public Comments on Proposed Changes to USML Categories I-III**

The U.S. Department of State's Directorate of Defense Trade Controls (DDTC) has posted on its website public comments it has received to the changes it proposed to Categories I (firearms, close assault weapons and combat shotguns), II (guns and armament), and III (ammunition and ordnance) of the U.S. Munitions List (USML) in its proposed rule published at 83 Fed. Reg. 24197 (May 24, 2018).

## **3. BIS Seeks Public Comment on Section 232 National Security Investigation of Imports of Uranium**

(83 Fed. Reg. 35204) - The U.S. Department of Commerce's Bureau of Industry and Security has officially announced that the Secretary of Commerce has initiated an investigation to determine the effects on the national security of imports of uranium. This investigation has been initiated under section 232 of the Trade Expansion Act of 1962, as amended. Interested parties are invited to submit written comments, data, analyses, or other information pertinent to the investigation to the Department of Commerce's Bureau of Industry and Security. This notice identifies issues on which the Department is especially interested in obtaining the public's views. Interested persons must submit their comments by September 10, 2018.

## **4. The United States and France Take Coordinated Action on Global Procurement Network for Syria's Chemical Weapons Program**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has designated 13 persons pursuant to Executive Order (E.O.) 13382 of June 28, 2005, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters." These five entities and eight individuals are allegedly key components of a vast network procuring electronics on behalf of Syria's Scientific Studies and Research Center (SSRC), the agency responsible for the development of Syria's chemical weapons. In a coordinated action earlier this week, the Government of France renewed an asset freeze on 24 entities and individuals from this same procurement network for providing an array of support to the SSRC. As a result of OFAC's action, many of the entities and individuals previously targeted by the French government will now be added to OFAC's Specially Designated Nationals and Blocked Persons List. Consequently, all property and interests in property of those designated today subject to U.S. jurisdiction are blocked, and U.S. persons are generally prohibited from engaging in transactions with them.

## **5. State Dept. Continues Designations of al-Shabaab as a Foreign Terrorist Organization**

(83 Fed. Reg. 35307) - Based upon a review of the Administrative Record assembled pursuant to Section 219(a)(4)(C) of the Immigration and Nationality Act, as amended (8 U.S.C. 1189(a)(4)(C)) ("INA"), and in consultation with the Attorney General and the Secretary of the Treasury, Secretary of State Michael Pompeo has concluded that the circumstances that were the basis for the designation of the aforementioned organization as a Foreign Terrorist Organization have not changed in such a manner as to warrant revocation of the designation and that the national security of the United States does not warrant a revocation of the designation.

## **6. UK Government's Export Control Joint Unit Issues Notice to Exporters 2018/19 on Launch of Consultation on the National Security and Investment White Paper**

The U.K. Government's Export Control Joint Unit (ECJU) has issued Notice to Exporters 2018/19 regarding the consultation launched on the national security and investment white paper. On 24 July 2018 the government published a white paper, national security and investment: proposed legislative reforms, and launched a public consultation. The white paper sets out how the government will address the risks that can arise from hostile actors acquiring ownership of, or control over, businesses or other entities and assets that have national security implications. It follows the national security and infrastructure investment review green paper published in October 2017. The government has reflected carefully on the feedback provided by a wide variety of stakeholders, including businesses, investors and law firms and a summary of responses is published alongside this white paper. Only a small number of investment activities, mergers and transactions in the UK economy pose a risk to our national security. For the cases that pose a risk to our national security it is vital that the government is able to intervene in order to prevent or mitigate those risks. The white paper sets out:

- That the government will encourage parties to submit 'valid notifications' of transactions and other events that may give rise to national security risks
- The ability for the government to 'call in' investments and other events which may raise national security concerns in whichever sector they occur, including those events which have not been notified
- If the 'call-in' power is used, the government will undertake a full national security assessment which can take up to 30 working days, with the option of extending for a further 45 working days, or longer by agreement
- At the end of the full national security assessment, if the government concludes that national security is at risk, it has the power to impose necessary and proportionate remedies - this could include, in rare circumstances, blocking or unwinding a deal

The government has also published a statement of policy intent alongside the white paper. This seeks to provide maximum certainty and clarity to business and investors by setting out how the 'call-in' power is expected to be used. The ECJU welcomes your views on our proposals. Read the white paper and statement of policy intent.

## **7. 3M Company Agrees to Pay \$9.1 Million to Resolve Allegations That it Supplied the United States with Defective Dual-Ended Combat Arms Earplugs**

The U.S. Department of Justice (DOJ) has announced that 3M Company (3M), headquartered in St. Paul, Minnesota, has agreed to pay \$9.1 million to resolve allegations that it knowingly sold the dual-ended Combat Arms Earplugs, Version 2 (CAEv2) to the United States military without disclosing defects that hampered the effectiveness of the hearing protection device. The settlement resolves allegations that 3M violated the False Claims Act by selling or causing to be sold defective earplugs to the Defense Logistics Agency. Specifically, the United States alleged that 3M, and its predecessor, Aearo Technologies, Inc., knew the CAEv2 was too short for proper insertion into users' ears and that the earplugs could loosen imperceptibly and therefore did not perform well for certain individuals. The United States further alleged that 3M did not disclose this design defect to the military. The allegations resolved by the settlement were brought in a lawsuit filed under the qui tam, or whistleblower, provisions of the False Claims Act. The act permits private parties to sue on behalf of the government when they believe that defendants submitted false claims for government funds and to share in any recovery. As part of today's resolution, the whistleblower will receive \$1,911,000.

## **8. DoD/DSCA Notifies Congress of Possible FMS to Bahrain of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90)**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) has notified the Congress that the Government of Bahrain has requested to buy items and services in support of Follow-On Technical Support (FOTS) for the Royal Bahrain Navy Ship SABHA (FFG-90), formerly the USS Jack Williams (FFG-24), transferred as Excess Defense Article on September 13, 1996. Also includes engineering, technical, and logistics services, documentation, and modification material for U.S. Navy supplied systems and equipment

and other related elements of logistics and program support. The estimated program value is \$70 million. There is no prime contractor involved in this proposed sale. There are no known offset agreements proposed in connection with this potential sale.

## **9. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) has made the following updates to its Security Assistance Management Manual (SAMM) and Policy Memorandums:

- DSCA Policy Memo 18-35 Revision of Section 2.8 of Letter of Offer and Acceptance (LOA) Standard Terms and Conditions has been posted.

In correspondence with Defense Procurement Acquisition Policy's (DPAP) revision of the DFARS, the DSCA 18-35 will amend Standard Terms and Conditions (STC) 2.8 by removing specific reference to the DFARS by clause and referring to the general USG offset policy that "although offset agreements, as defined in the Defense Federal Acquisition Regulation Supplement, are not within the scope of the DoD contracts entered into to fulfill the requirements of this LOA, offsets may be reimbursed through such contracts." STCs will continue to reflect the USG law and policy on offsets and direct the foreign partner to seek information from Industry.

## **10. Commerce/ITA Seeks Participants for Annual U.S. Industry Program at the IAEA General Conference**

(83 Fed. Reg. 35612) - The U.S. Department of Commerce's International Trade Administration (ITA), with participation from the U.S. Departments of Energy and State, is organizing the 11th Annual U.S. Industry Program at the International Atomic Energy Agency (IAEA) General Conference, to be held September 16-19, 2018, in Vienna, Austria. The IAEA General Conference is the premier global meeting of civil nuclear policymakers and typically attracts senior officials and industry representatives from all 162 Member States. The U.S. Industry Program is part of the U.S. Department of Commerce's (DOC) Civil Nuclear Trade Initiative, a U.S. Government effort to help U.S. civil nuclear companies identify and capitalize on commercial civil nuclear opportunities around the world. The purpose of the program is to help the U.S. nuclear industry promote its services and technologies to an international audience, including senior energy policymakers from current and emerging markets as well as IAEA staff. Representatives of U.S. companies from across the U.S. civil nuclear supply chain are eligible to participate. In addition, organizations providing related services to the industry, such as universities, research institutions, and U.S. civil nuclear trade associations, are eligible for participation. The mission will help U.S. participants gain market insights, make industry contacts, solidify business strategies, and identify or advance specific projects with the goal of increasing U.S. civil nuclear exports to a wide variety of countries interested in nuclear energy. Participant recruitment will run until August 3, 2018. Applications received after August 3, 2018, will be considered only if space and scheduling permit.

## **11. WTO News**

- MONITORING REPORT SHOWS INCREASE OF NEW TRADE RESTRICTIONS FROM WTO MEMBERS: WTO members introduced more trade-restrictive measures from mid-October

2017 to mid-May 2018 compared to the previous review period (mid-October 2016 to mid-October 2017), according to the Director-General's mid-year report on trade-related developments presented to members on 25 July at a meeting of the Trade Policy Review Body. While WTO members continued to implement more trade-facilitating than trade-restrictive measures, the value of trade covered by the restrictive measures rose and the value covered by facilitating measures fell. The report draws attention to this shift, and to the fact that it is taking place at a time of heightened trade tensions and associated rhetoric, which should be of concern to the international community.

- KAZAKHSTAN TO HOST WTO'S NEXT MINISTERIAL CONFERENCE: WTO members have accepted Kazakhstan's invitation to host, in Astana, the organization's Twelfth Ministerial Conference (MC12) to be held in 2020. The decision was taken by consensus at today's General Council meeting (26 July 2018) and marks the first time a Ministerial Conference is to be organized in Central Asia.
- WTO MEMBERS TAKE UP DISCIPLINES ON SUBSIDIES TO IUU FISHING AT JULY MEETINGS: WTO members in the Negotiating Group on Rules exchanged views and information on disciplines to prohibit subsidies to illegal, unreported and unregulated (IUU) fishing at their 24-26 July cluster of meetings on fisheries subsidies (the third such cluster this year). Members also discussed how to organize the negotiating work in September-December, with a mix of activities including technical sessions, brainstorming, text-based discussions and time for bilateral meetings among delegations.

## **12. U.S. Government Contracting**

- DoD/DSS: OMB Information Collection Submission - Certificate Pertaining to Foreign Interest; SF328 - Deadline for Public Comment: Aug. 27, 2018
- DoD/Navy: Notice of Availability of Government-Owned Inventions; Available for Licensing

## **13. U.S. Customs and U.S. Census/AES Updates**

- U.S. Customs - CSMS #18-000454 Title: PRODUCTION ACE Protest & CQ Deployment, Thurs July 26, 2018 @0500ET
- U.S. Customs - CSMS #18-000455 Title: AESTIR Appendix C – ISO Country Codes update - Swaziland has been changed to Eswatini
- U.S. Customs - CSMS# 18-000456 - ACE PRODUCTION Scheduled Maintenance, Sat. Jul 28, 2018 @ 2200 to 0200 ET Sunday, Jul 29
- U.S. Customs - CSMS #18-000457 Title: Additional item for Prod ACE Truck Manifest deployment this weekend
- U.S. Customs - CBP to adjust hours at ports of Danville and Metaline Falls

- U.S. Customs - CBP Welcomes a New Federal Inspection Station inaugurated at the Luis Muñoz Marin International Airport
- U.S. Customs - Detroit Trade Day 2018
- U.S. Customs - ICE removes British man convicted in conspiracy to illegally export sensitive technologies to Syria
- U.S. Customs - Section 301 Trade Remedies Frequently Asked Questions
- U.S. Customs - Antidumping and Countervailing Duties (AD/CVD) Update Summer 2018
- U.S. Customs - COAC Quarterly Meeting (Webinar) August 1, 2018 - Washington, DC
- U.S. Customs - August 1 2018 COAC TERC Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Export Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Trusted Trader Subcommittee Trade Executive Summary
- U.S. Customs - August 1 2018 COAC Trade Modernization Trade Executive Summary
- U.S. Customs - Customs Bulletin and Decisions - Vol. 52, July 25, 2018, No. 30 Index

#### General Notices

##### U.S. Court of International Trade Slip Opinions

- U.S. Census/Global Reach Blog - U.S. Exports by Metropolitan Area
- U.S. Census - Preliminary: U.S. Imports for Consumption of Steel Products June 2018 - The U.S. Census Bureau has announced that preliminary June steel imports were \$2.2 billion (2.2 million metric tons) compared to the preliminary May totals of \$2.7 billion (2.6 million metric tons).
- U.S. Census - The Advance International Trade in Goods Deficit Increased in June 2018

## **14. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**

- Commerce/E&C - Aluminum Extrusions From the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2016-2017

- Commerce/E&C - Aluminum Extrusions From the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2016
- Commerce/E&C - Carbon Steel Butt-Weld Pipe Fittings From the People's Republic of China: Preliminary Affirmative Determination of Circumvention of the Antidumping Duty Order
- Commerce/E&C - Certain New Pneumatic Off-the-Road Tires From India: Notice of Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Certain New Pneumatic Off-The-Road Tires From Sri Lanka: Notice of Court Decision Not in Harmony With Final Affirmative Countervailing Duty Determination, Notice of Amended Final Determination and Revocation of Countervailing Duty Order
- Commerce/E&C - Certain Preserved Mushrooms From the People's Republic of China: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Citric Acid and Certain Citrate Salts From Belgium, Colombia and Thailand: Antidumping Duty Orders
- Commerce/E&C - Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2015-2016
- Commerce/E&C - Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Notice of Partial Rescission of Antidumping Duty Administrative Review; 2016-2017
- Commerce/E&C - Drawn Stainless Steel Sinks From the People's Republic of China: Final Results of the Expedited First Sunset Review of the Countervailing Duty Order
- Commerce/E&C - Multilayered Wood Flooring From the People's Republic of China: Final Results of Antidumping Duty Administrative Review, Final Determination of No Shipments, and Partial Rescission; 2015-2016
- Commerce/E&C - Multilayered Wood Flooring From the People's Republic of China: Notice of Court Decision Not in Harmony With the Second Amended Final Determination and Notice of Third Amended Final Determination of the Antidumping Duty Investigation
- Commerce/E&C - Seamless Refined Copper Pipe and Tube From the People's Republic of China: Rescission of Antidumping Duty Administrative Review; 2016- 2017
- Commerce/E&C - Steel Wire Garment Hangers From Taiwan: Rescission of Antidumping Duty Administrative Review; 2016-2017

- USITC - Certain Lithography Machines and Systems and Components Thereof (I): Notice of Receipt of Complaint; Solicitation of Comments Relating to the Public Interest
- USITC - Certain Lithography Machines and Systems and Components Thereof (II): Notice of Receipt of Complaint; Solicitation of Comments Relating to the Public Interest
- USITC - Certain Load Supporting Systems, Including Composite Mat Systems, and Components Thereof: Commission Determination Not To Review an Initial Determination Granting a Joint Motion To Terminate the Investigation Based on Consent Orders and a Settlement Agreement; Issuance of Consent Orders; Termination of the Investigation
- USITC - Certain Toner Cartridges and Components Thereof: Commission Determination Not To Review an Initial Determination Amending the Complainant and Notice of Investigation

## **15. GAO Reports, Testimony, and Correspondence of Interest**

- HIGH-RISK SERIES: Urgent Actions Are Needed to Address Cybersecurity Challenges Facing the Nation: GAO-18-645T: Published: Jul 25, 2018. Publicly Released: Jul 25, 2018.
- AVIATION SECURITY: Basic Training Program for Transportation Security Officers Would Benefit from Performance Goals and Measures GAO-18-552: Published: Jul 26, 2018. Publicly Released: Jul 26, 2018.
- GAO WatchBlog: Cybersecurity—New Risks and Threats

## **16. U.S. Government Trade Forms and Other Information Collections Open for Public Comment**

(83 Fed. Reg. 35210) - Agency: U.S. Dept. of Commerce/International Trade Administration (ITA) - Title: Swiss-U.S. Privacy Shield; Invitation for Applications for Inclusion on the Supplemental List of Arbitrators - Agency Form No.: None - Type of Review: Regular submission - Deadline for Public Comment: Sept. 24, 2018

(83 Fed. Reg. 35674) - Agency: U.S. Dept. of Homeland Security/U.S. Customs and Border Protection (CBP) - Title: Visa Waiver Program Carrier Agreement - Agency Form No.: CBP Form I-775 - Type of Review: Extension (without change) - Deadline for Public Comment: Sept. 25, 2018

## **Other Headlines**

## **17. Congress to Ease Russia Sanctions amid Clamor for Tougher Measures**

Washington Post.com, July 24 - Bowing to pressure from the Trump administration, lawmakers unveiled a sweeping defense policy bill Tuesday that would give the president greater power to forgo certain Russia-related penalties. The move to scale back sanctions stands in sharp contrast to mounting bipartisan fervor in the Senate to get tougher on Russia after a summit between President Trump and Russian President Vladimir Putin that

was roundly decried as an embarrassment and a missed opportunity to deal harshly with the Kremlin over election interference. Lawmakers have unleashed a flurry of bills, resolutions and other initiatives to try to force Trump to step up penalties against Russia. There is also pressure to take steps before Putin can make good on an invitation from Trump to visit the United States this fall — though at this juncture, the State Department is unaware of any formal invitation, and Russian authorities say they are making no formal preparations for a second summit.

## **18. U.S. Technology Sent to Chinese Police Was within Rules, Commerce Department Says**

Wall Street Journal.com, July 26 - The U.S. Commerce Department deflected a Congressional committee's concerns that it is doing an insufficient job stopping U.S.-made technology from playing a role in oppressive policing in China. The department, in a letter from Commerce Secretary Wilbur Ross, also said DNA sequencers used by Chinese police and made by Waltham, Mass.-based Thermo Fisher Scientific Inc. were not subject to U.S. licensing rules that control the sale of crime-busting equipment to foreign countries. The devices were described in a Wall Street Journal article last December that highlighted the ways that Chinese police gather DNA samples from many citizens who aren't criminal suspects, sometimes resorting to trickery. The Journal story followed a report by Human Rights Watch that identified Thermo Fisher as a supplier of some DNA sequencers to police in China's restive Xinjiang province. "The items are low-technology products that are available from worldwide sources, including indigenous Chinese sources, and have numerous legitimate end-uses," including in education, medical research and forensics, according to Mr. Ross's letter, which is dated June 11 and has not been previously reported.

## **19. Mattis Makes New Plea to HASC for Russian Sanctions Relief**

Breaking Defense.com, July 25 - Defense Secretary James Mattis fired off a new letter to House Armed Services leadership on Tuesday, asking lawmakers again to vote in favor of waivers for certain countries Washington is trying to sway into its orbit, but who continue to do business with Russian defense firms. The letter was delivered to HASC chairman Rep. Mac Thornberry and Ranking Member Rep. Adam Smith on Tuesday, a day before the full House was set to vote on the 2019 National Defense Authorization Act containing language broadly supporting the waivers. In the missive (which can be found here) obtained by Breaking Defense, Mattis asked for the Secretary of State to be given the ability to waive sanctions so the United States could "sell military equipment and enable countries pulling away from the Russian orbit." He wrote that the waivers "would not benefit Russia; it will only benefit the U.S. and countries willing to pursue a security relationship with us."

## **20. House OKs More Subs, Pumps \$250M More into Industrial Base**

Breaking Defense.com, July 26 - In the drama-free weeks leading up to Thursday's overwhelming passage of the compromise \$716 billion defense policy bill by the House of Representatives, lawmakers sent a pretty clear signal to the White House: we want more submarines. With concerns rising over the growing prowess of Russian and Chinese undersea capabilities, and standoff air and sea defenses shutting off access to the littoral for large surface ships and many aircraft, both lawmakers and the Navy have said that they'll need more subs — and more quickly — than previous plans allocated. . . . The bill also authorizes about \$237 million more than the White House requested — \$3.2 billion — to

continue work on new Columbia-class submarines. It also plumps down an additional \$250 million to strengthen the submarine industrial base as it scrambles to replace the current Ohio-class subs. That extra money for the base is meant to ensure that smaller second- and third-tier suppliers can meet increased production demands for both the Columbia and Virginia class submarine programs.

## **21. The Fate of DISA and Other Org Chart Changes in the New Defense Policy Bill**

DefenseNews.com, July 25 - The Defense Information Systems Agency and other so-called "fourth estate" agencies were spared the ax, but a potpourri of Pentagon organizational changes have made it into this year's massive, must-pass defense authorization bill. The Senate and House came together Monday on a \$716 billion bill that softened House-passed language to eliminate DISA and other agencies in the name of efficiency. But what survived could drive future efforts to slash Pentagon bureaucracy: a series of high-stakes reviews by DoD's chief management officer aimed at cutting costs DoD-wide. The report for the sweeping 2019 National Defense Authorization Act is expected to come to a vote in the House this week and the Senate next week. The annual must-pass bill covers military hardware, personnel and a wide swath of hot-button national security issues. Earlier drafts of the bill, spearheaded by House Armed Services Committee Chairman Mac Thornberry, targeted DISA and six other offices by name. But the conference report eliminates the direct mention of the agency — which oversees a huge swath of DoD networks and IT, has a total budget of nearly \$10 billion and employs more than 12,000 people.

## **22. Talking Trade with Former BIS Chief Eric Hirschhorn**

American Shipper.com, July 10 - From April 2, 2010 to Jan. 20, 2017, Eric L. Hirschhorn served as undersecretary of commerce for industry and security and headed the U.S. Commerce Department's Bureau of Industry and Security (BIS), a federal agency with responsibility for ensuring that the country's most sensitive commercial technologies do not end up in the hands of adversary nations or terrorist organizations for potential misuse. However, his work in both the private and public sectors within the area of U.S. export control regulations spans four decades and seven presidential administrations. The Adam Smith Project recently sat down with Hirschhorn, who remains active in various Washington, D.C.-based legal and international affairs activities, to discuss the recent evolution of the country's export controls and where he believes they're headed.

## **23. US Acts to Release \$195M in Suspended Military Aid to Egypt**

DefenseNews.com, July 25 - The United States has decided to release \$195 million in military aid to Egypt after withholding the assistance last year over human rights concerns, the State Department announced Wednesday. The department said the decision follows steps Egypt has taken in response to specific U.S. concerns, and it cited stronger U.S.-Egypt ties in security and counterterrorism while also acknowledging remaining areas of concern about human rights and governance. Independent monitoring groups have documented continued human rights abuses in Egypt over the past year. The New York-based Human Rights Watch describes the situation in Egypt as the "worst human rights crisis in the country in decades." Egyptian police, the group said, systematically use "torture, arbitrary arrests and enforced disappearances to silence political dissent," according to a recent assessment. Amnesty International reported an escalation in Egypt's crackdown on civil

society and pointed to routine “grossly unfair” trials of government critics, peaceful protesters, journalists and human rights defenders.

## **24. Trump, E.U. Announce Deal to Avert Escalation of Trade Tensions**

Washington Post.com, July 25 - The United States and the European Union stepped back from the brink of an escalating trade war Wednesday, with the unexpected announcement of a process to ease tensions and avoid further tariffs. In an appearance in the White House Rose Garden, President Trump and European Commission President Jean-Claude Juncker said they had agreed to hold off on proposed car tariffs, and work to resolve their dispute on steel and aluminum tariffs, while pursuing a bilateral trade deal. “While we are working on this, we will not go against the spirit of this agreement unless either party terminates the negotiation,” Trump said. “We also will resolve the steel and aluminum tariff issues, and we will resolve retaliatory tariffs.” While Washington and Brussels pursue those aims, the E.U. will import more U.S. soybeans and liquefied natural gas, or LNG, although Juncker suggested that that agreement came with conditions.

## **25. Trump’s Pact With Europe Points to Tactical Shift on ‘America First’**

Wall Street Journal.com, July 26 - President Trump’s truce with the European Union signals a tactical shift in his “America First” trade policy, as he scrambles to show successes after an intensifying revolt from Republican lawmakers and American businesses. But beyond a shift in rhetoric, the concrete results so far remain minimal. Europeans touted Wednesday’s joint statement as reaffirming a trans-Atlantic free-trade relationship that Mr. Trump had openly questioned, without forcing them to make concessions to Washington’s demands. Mr. Trump and European Commission President Jean-Claude Juncker, in their hastily arranged White House ceremony, pledged to work toward negotiating a broad reduction in tariffs on industrial goods and to cooperate against unfair Chinese trade practices. The U.S. agreed not to impose tariffs on European autos as long as negotiations are ongoing, while the EU also said it would try to boost purchases of U.S. liquefied natural gas and soybeans.

## **26. Trump Relents on EU Car Tariffs, as U.S.-China Fight Derails Qualcomm Deal**

Reuters.com, July 25 - In what the EU chief called a “major concession,” U.S. President Donald Trump agreed on Wednesday to refrain from imposing car tariffs while the two sides launch negotiations to cut other trade barriers, easing the threat of a transatlantic trade war. After a meeting at the White House, Trump and European Commission President Jean-Claude Juncker said the talks would also seek to “resolve” U.S. tariffs on steel and aluminum and Europe’s retaliatory duties - marking a step back from Trump’s signature import protections for American metals producers. The breakthrough came as the bitter trade dispute between the United States and China appeared to claim a major casualty, with China not approving U.S. chipmaker Qualcomm Inc’s takeover of NXP Semiconductors, likely shutting the door on the \$44 billion deal. Qualcomm needed Beijing’s okay because China accounts for nearly two-thirds of its revenue, but a deadline at midday on Thursday in Asia passed without word from China’s regulator. Qualcomm had said on Wednesday it was dropping the bid.

## **27. Chinese Deals Lose Luster for Officials across the U.S.**

Wall Street Journal.com, July 25 - Some states and cities in the U.S. are growing wary of Chinese investment after a deal boom that raised national-security concerns and failed to deliver promised jobs. Chinese developer Tan Zhixing rolled into rural Tyler, Texas, last September with a plan to spend \$1.6 billion on a housing complex that promised to bring thousands of Chinese students to attend local schools and create more than 1,000 jobs for the surrounding county. But local officials and their constituents are now raising concerns—including potential security risks, doubts about Mr. Tan's ability to fund the project, and the cost to taxpayers of new infrastructure. City officials haven't approved necessary zoning changes, and it's unclear if Mr. Tan will try to move forward. A spokeswoman for Mr. Tan didn't respond to requests for comment. Critics have singled out Chinese deals as national-security risks on the grounds the companies may be directed and subsidized by the government of China, an economic and military rival.

## **28. Visa Restrictions for Chinese Students Alarm Academia**

New York Times.com, July 25 - President Trump's confrontation with China is beginning to ripple through American academic and research institutions, as a crackdown on visas for certain Chinese citizens has left the higher education community wondering how it will adapt to the administration's effort to stop intellectual property theft and slow China's push for technological supremacy. Educators and academic groups fear that the additional scrutiny could hinder scientific innovation, alienate talented applicants or intensify aggressions toward Chinese scientists already in the country. Academics are already wrestling with the increased attention. At an aerospace conference in Georgia last month, Ella Atkins, a University of Michigan professor, recalled a colleague approaching her with a dilemma. The colleague, an assistant professor at another university, had recently led and submitted a research proposal for a federal grant. But he worried that because he was Chinese, the judges would be biased against his team.

## **29. The Morning Risk Report: Security Concerns Quash Sale of German Company**

Wall Street Journal.com, July 27 - The German government has decided to ban for the first time the sale of a German company to a Chinese suitor on security grounds, an official from the German ruling coalition parties said Thursday. The decision to block the sale of machine tool company Leifeld Metal Spinning AG to a Chinese investor came after an extensive review that led the government to the conclusion such a transaction would be a "risk to public order and safety," WSJ's Andrea Thomas reports, citing the official, who declined to be named. The move illustrates how concerned Germany is about growing appetite for German technology, which analysts say is a key factor behind the strength of Germany's export-reliant economy. The veto was made possible after the German government adopted legislation last year to make it easier to veto takeovers of strategically important companies if the investment puts the public order or safety at risk. The move effectively—though not nominally—targets China's attempt to acquire key technology. The new rules apply mainly to targets in the defense sector and developers of critical software powering financial and telecommunications services, public transport or power grids.

## **30. DoD, Industry Sparring Over New Cyber Rules, Ellen Lord Says**

Breaking Defense.com, July 27 - The Defense Department is working on a "do not buy" list of software vendors who may have been compromised by foreign governments, but is still in the early stages of formulating a plan to ensure the defense industry follows suit. Ellen Lord, the Pentagon's chief weapons buyer, told a small group of reporters here Friday morning that her office is trying to put rules in place to protect against buying "software that has Russian or Chinese provenance, for instance, and quite often that's difficult to tell at first glance because of holding companies," that move the software through the open market. The concern over compromised technology has been heightened after a series of high-profile hacking incidents where U.S. shipbuilding plans and other programs have been compromised by Chinese hackers. Pentagon leadership is especially sensitive to the issue as they rush to keep ahead of Chinese and Russian military modernization programs in areas like hypersonics, satellites, drones, and submarine warfare. Last month, the Pentagon's deputy secretary for intelligence, Kari Bingen, told the House Armed Services Committee that the military needs to "establish security as a fourth pillar in defense acquisition," joining cost, schedule, and performance, while making security "a major factor in competitiveness for U.S. government business."

### **31. Air Force to Establish New Rapid Sustainment Office**

National Defense Magazine.org, July 25 - The Air Force is setting up a new Rapid Sustainment Office to help keep aircraft flying, the service's top official announced July 25. Seventy percent of the lifecycle cost of an aerial platform stems from maintenance requirements, Air Force Secretary Heather Wilson noted during remarks at an event in Washington, D.C., hosted by the Washington Post. The Rapid Sustainment Office will "drive down the cost" of replacement parts and mitigate bottlenecks in the supply chain, she said. "There are new technologies in manufacturing that mean [that] we don't have to go out to a supplier, some of whom are no longer in business," she said. "Just in the first quarter of this year, we had 10,000 requests for parts ... [where] there wasn't even a single bidder because the company is no longer in business [or] there's no business case for one part," she added. To illustrate her point, Wilson pointed to a trim wheel for the rudder of a KC-135 aerial refueling tanker. "It's a vital piece of equipment," she said. "The company that makes them is no longer in business, [so] we reversed engineered this and 3D-printed it."

### **32. Lockheed Tees Up MDC2 Wargame; Sells AI C2 System**

Breaking Defense.com, July 24 - From the first, Lockheed Martin has been out front discussing Multi-Domain Operations. The company has set up something like an Integrated Product Team to coordinate work across the world's biggest defense company and bring the right products together for the US military as it tries to build a global network of sensors, communications devices and data fusion engines — all of it made useful by Artificial Intelligences made useful by machine learning. The man leading those efforts, Rob Smith, sat down with me at the air show. The video includes the first few minutes of our conversation. The rest you need to read! Perhaps the biggest news is that a new command and control system Lockheed is selling to an unnamed international customer includes automated "enemy intent analysis." So, the Diamond Shield system takes the enormous amount of data gathered by the system, uses Artificial Intelligence to analyze it and tells commanders what it thinks the enemy will do. It also, Smith told me, automatically generates air task orders for pilots and bombers to use.

### **33. The U.S. Navy's Fighter Woes Are Boosting Boeing's Bottom Line**

DefenseNews.com, July 27 - The Navy's ongoing aviation readiness crisis has been a boon for Boeing as the Navy looks to make its Super Hornet fleet healthy again after years of hard use in the war on terror. Boeing's Super Hornets are helping push its Defense operation's sales in a positive direction, contributing to a more than 10 percent year-to-date sales growth, according to analysts and company executives speaking on a quarterly earnings call this week. A total of 46 new Super Hornets – 18 for the U.S. Navy and 28 for Kuwait – are leading the way, but the company is also making a lot of money on the Navy's quest to modernize and extend the life of its workhorse jets. All told, the Navy is planning to modernize all its current jets and buy dozens more in its quest to dig out of a severe readiness hole. Boeing Defense has seen an 11 percent year-over-year sales boost so far this year, said defense analyst Jim McAleese, and company executives said the cash flow from the Navy's F/A-18 recapitalization isn't slackening any time soon.

### **34. Boeing's KC-46 Penalties Now Up to \$3.4B Thanks to New \$426M Charge**

DefenseNews.com, July 26 - Another financial quarter meant another financial hit for Boeing, which disclosed \$426 million in cost overruns to the KC-46 tanker program during an earnings call Wednesday. The newest charge brings Boeing up to \$3.4 billion in pretax overruns on the program, and — due to its fixed-price contract with the U.S. Air Force — the company is required to foot the bill. The price growth was attributed to delays in the certification process as well as "higher estimated costs" for incorporating needed modifications to six flight test and two early-build aircraft. After tax, the charges come down to about \$334 million, said Boeing CEO Dennis Muilenburg during the July 25 earnings call. "We continue to make steady progress towards final certification for the KC-46 tanker and recently completed all flight tests required to deliver the first aircraft, which is expected to be in October of this year, as now agreed upon with the U.S. Air Force," he said. "This is a significant milestone for us and our customer, representing the culmination of three years of testing and over 3,300 flight hours." Now that the flight testing needed for first delivery is complete and the final configuration of each KC-46 has been defined, Boeing can move ahead on wrapping up the manufacture of the first eight aircraft, Muilenburg said.

### **35. Airbus CEO Denies Seeking Fighter-Unit Merger with BAE Systems**

Reuters.com, July 26 - Airbus Chief Executive Tom Enders sought on Thursday to clarify recent comments about fighter consolidation in Europe, saying he did not see a corporate merger of the combat jet activities of Airbus, BAE Systems or others any time soon. Enders, who was quoted earlier this week as raising the prospect of a merger, told reporters in an earnings conference call that he had been talking instead about the need for European nations to co-operate on competing fighter projects. "Of course, I was not suggesting that we should merge the military aircraft activities of BAE, Airbus and whoever else rightaway," said Enders, who had failed to win political support for a full merger of Airbus and BAE in 2012. "What I was suggesting was that it makes a lot of sense, as we have two projects in Europe - a Franco-German and a British-led project - that politicians as well as industrialists try to converge those, and that there is time to do that because the developments are still some years away." Enders had been quoted in the Sunday Times as saying he was open to the idea of a merger of his firm's jet fighter business with that of BAE Systems.

## **36. Thanks to Inflation, Airbus Takes Major Financial Hit, Again, on Largest Military Program**

DefenseNews.com, July 26 - Airbus took a further financial hit on the A400M military airlifter program, booking €98 million (U.S. \$115 million) of provisions in results for the first half the year. The hit mainly stems from price escalation, the company said in a statement on the first-half results, reported July 26. For the A400M, Airbus saw price increases in labor and equipment above those agreed in the production contract. Those provisions add to previous provisions totaling €7.2 billion — all thank to this reality, stated by Sash Tusa, an analyst with an equity research firm, Agency Partners: "Costs in the aeronautical industry escalate, but Airbus has not been able to reclaim these under the current situation. In the U.S. there are producer price indices for the aeronautics sector, but the A400M reflects price increases in the euro zone. Airbus carries a heavy burden of financial risk under the present contract, even as the company adds capabilities to the aircraft and continues talks with the core seven client nations for easing the production contract."

## **37. Pentagon Hopes JEDI Contract Good for the Force**

Breaking Defense.com, July 26 - The JEDI cloud computing contract may be one of the most controversial deals the Pentagon hasn't even awarded. Worth up to \$10 billion over a decade, the Pentagon's attempt to build its first true enterprise-wide cloud has sparked charges that the deal is designed to go straight to Amazon, who already supplies the CIA with its cloud services. The RFP, approved by Ellen Lord, the head of Pentagon acquisition on July 19, includes an initial two-year base, two consecutive three-year options and a final two-year option. Those first two years are designed to test the system and make sure it meets security and other operational standards. In a clear signal to companies who've been complaining that the deal looked cooked to serve up Amazon, Lord's approval includes this sentence: "The contract will be awarded pursuant to full and open competition." It seems pretty clear that the Pentagon is issuing this first contract to test cloud service and figure out how the services use them. Lt. Gen. VeraLinn "Dash" Jamieson, head of Air Force ISR, said this morning that she doesn't want her service to depend on one cloud provider in the long run. "If I have a multi-cloud, I've given him (the enemy) a targeting problem," she said.

## **38. The Company Astronaut**

Washington Post.com, July 24 - He still looks every bit the NASA astronaut he once was. Same chest-out posture. Same Top Gun instincts. Same American flag on the left shoulder of his flight suit. Chris Ferguson even has a call sign, "Fergy." There is one small detail that sets Ferguson apart from the NASA astronauts he is training alongside. Where they have the space agency's red-white-and-blue logo on their spacesuits, he wears Boeing's corporate insignia — a small accessory that symbolizes what the space agency hopes is a new era in space travel. Ferguson retired from NASA after serving as the commander of the last space shuttle mission in 2011. Today, he's a corporate astronaut who is hoping to make history as the first private citizen to launch to orbit on a commercially operated rocket. As a test pilot of the inaugural flight of Boeing's Starliner spacecraft, he would serve alongside NASA's astronauts. But NASA hopes his presence on the mission to the International Space Station augurs a long-awaited next chapter in America's human spaceflight program, one where commercial ventures have ended the government's long-held monopoly in space with the hope of making it accessible to civilians.

## **39. Salient CRGT Wins \$34M Task Order to Deliver IT Support to the Defense Technology Security Administration**

PR Newswire.com, July 25 - Salient CRGT, Inc. was awarded a new task order under its CIO-SP3 contract vehicle to provide enterprise IT support to the Defense Technology Security Administration (DTSA). This 5-year (1-year base, 4-year options) task order has an anticipated ceiling of \$34.5 million. Salient CRGT has been supporting the Defense Technology Security Administration (DTSA) Security Policy Automation Systems since 1980. This task order also supports USXPORTS, an interagency program to support the Department of Defense's (DoD) Presidential Initiative for Export Control Reform to reduce license processing times by providing more flexibility and automation in staffing across multiple agencies. Team Salient CRGT will provide software development, project management, and operations and maintenance support to the DTSA Security Policy Automation Network (SPAN) and the USXPORTS interagency program. The team will streamline the current USXPORTS system through enhancements to best meet the business needs for the interagency Export Control Adjudication processes.

## **40. Opinion: When the World Opened the Gates of China**

Wall Street Journal.com, July 27 - With a congressional vote looming in the spring of 2000, President Bill Clinton mustered his best arguments for why lawmakers should approve his proposed deal for China to join the World Trade Organization. Adding China would link Beijing to Western economies and reduce the government's ability to control its vast population, he said in a speech that March at Johns Hopkins's School of Advanced International Studies. "By joining the WTO, China is not simply agreeing to import more of our products, it is agreeing to import one of democracy's most cherished values, economic freedom," Mr. Clinton said. "When individuals have the power not just to dream, but to realize their dreams, they will demand a greater say." Mr. Clinton's idealistic rhetoric played well among most of Washington's elites, but a trade lawyer often dismissed as a protectionist, Robert Lighthizer, was skeptical. As he had warned in a New York Times op-ed a few years earlier, if admitted to the WTO, mercantilist China would become a "dominant" trading nation. "Virtually no manufacturing job in [the U.S.] will be safe," he wrote. Mr. Lighthizer is now the U.S. Trade Representative, President Donald Trump's chief negotiator on global trade.

## **Upcoming Export Control and Other Trade Compliance Conferences - NEW EVENTS ADDED!**

**July 30-31 - National Customs Brokers & Forwarders Association of America, Inc. - GTEC - Global Trade Educational Conference 2018 - Dallas - Hilton Dallas Lincoln Center**

**Aug. 14-15 - U.S. Dept. of Homeland Security/U.S. Customs and Border Protection (CBP) - 2018 Trade Symposium - Atlanta - Marriott Marquis Hotel**

**Aug. 14-15 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and Professional Association of Exporters and Importers - Complying with U.S. Export Controls - Milpitas, California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Aug. 16 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and Professional Association of Exporters and Importers - Encryption Controls - Milpitas, California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Sept. 5 - IDEEA, Inc. - ComDef 2018 - Washington, DC - National Press Club - Gary Stanley, Editor of Defense and Export-Import Update, will again moderate the panel "Export Control Update" at this annual conference for the defense industry.**

**Sept. 12-13 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) - Complying with U.S. Export Controls - Smithfield, Rhode Island - Bryant University, 1150 Douglas Pike**

**Sept. 13-17 - International Compliance Professionals Association (ICPA) -2018 ICPA@SEA - Galveston, TX to Cozumel**

**Sept. 19-20 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) & Southern California District Export Council - Complying with U.S. Export Controls, LA 2018 - Los Angeles - Westin Los Angeles Airport Hotel**

**Sept. 19-20 - SMi Group - Defence Exports 2018 - Rome - Crowne Plaza Rome St. Peter's Hotel & Spa - Gary Stanley, Editor of Defense and Export-Import Update, is proud to be once again chairing this event and conducting a related Sept. 18 workshop on "Jurisdiction, Classification, and Licensing: How to Police Your U.S. Suppliers"**

**Sept. 25-26 - American Conference Institute - 11th West Coast Conference on FCPA Enforcement and Compliance - San Francisco - Marines' Memorial Club and Hotel**

**Sept. 25-26 - American Conference Institute - 4th Canadian Forum on Global Economic Sanctions Compliance & Enforcement - Toronto**

**NEW - Sept. 28 - Society for International Affairs - 2018 Fall Golf Outing - Woodbridge, Virginia - Old Hickory Golf Club**

**Oct. 1 - Chatham House (The Royal Institute of International Affairs) - Illicit Financial Flows 2018 - London - 10 St James's Square London SW1Y 4LE**

**Oct. 16-18 - Partnerships International, inc. - "Partnering for Compliance™" West 2018 - Fort Worth - Dallas-Fort Worth Marriott South Airport Hotel**

**Oct. 21-23 - International Compliance Professionals Association (ICPA) - 2018 ICPA Fall Conference - Grapevine, TX - Embassy Suites DFW Airport North**

**NEW - Oct. 22-23 - Society for International Affairs - 2018 Fall Advanced Conference - Arlington, Virginia - Crystal Gateway Marriott Hotel**

**Oct. 30 - American Conference Institute - 4th Asia Pacific Economic Sanctions Compliance and Enforcement - Singapore - Marriott Singapore Tang Plaza Hotel**

**Oct. 31 - Nov. 1 - American Conference Institute - 7th Asia Pacific Summit on Anti-Corruption Compliance and Risk Management - Singapore - Marriott Singapore Tang Plaza Hotel**

**Nov. 8-9 - International Compliance Professionals Association (ICPA) - 2018 Annual China Conference - Shanghai - Four Seasons Hotel**

**Nov. 27-30 - American Conference Institute - 35th International Conference on the Foreign Corrupt Practices Act - Washington, DC - Gaylord National Resort & Convention Center**

**NEW - Dec. 7 - Society for International Affairs - 2018 Holiday Party - Washington, DC - Nationals Park, 1500 South Capitol St., S.E.**

**NEW - March 4-6 - Society for International Affairs - 2019 Winter Back to Basics Conference - Savannah, Georgia - Savannah Marriott Riverfront Hotel**

**NEW - March 24-27 - International Compliance Professionals Association (ICPA) - 2019 ICPA Annual Conference - Orlando, Florida - Disney Coronado Springs Resort**

**NEW - May 15-17 - International Compliance Professionals Association (ICPA) - 2019  
ICPA Canada Conference - Toronto - Hyatt Regency Toronto Hotel**

We hope this update proves helpful. If you have questions about any of these developments, please do not hesitate to call us. If you received this free newsletter from a colleague or friend and would like to subscribe directly, please just e-mail your name, title, company, and e-mail address to [gstanley@glstrade.com](mailto:gstanley@glstrade.com).

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**From:** Information Technology & Innovation Foundation [mail@itif.org]  
**Sent:** 7/30/2018 4:03:37 PM  
**To:** Comstock, Earl (Federal) [EComstock@doc.gov]  
**Subject:** ITIF UPDATE — Stop Worrying About Internet "Fast Lanes"; Who Lost China?; Facial Recognition; Events: Data-Driven Medicine; AI & Cybersecurity

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## WEEKLY UPDATE

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# Paid Prioritization: Why We Should Stop Worrying and Enjoy the “Fast Lane”

Report

Net neutrality activists malign data traffic prioritization by caricaturing standard network management techniques as “fast lanes” and warning that allowing optional payment for specific performance levels for Internet traffic would destroy the web’s “openness.” This is false. Prioritization and other mechanisms that differentiate traffic are the only economical ways to significantly improve broadband performance and would encourage further innovation across the Internet.

[Read the report.](#)

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## **Who Lost China?**

Article in *National Review*

China is marching toward global technological leadership and increasingly challenges the U.S. both economically and militarily. Pretty much everyone was responsible for letting this happen—from successive U.S. administrations and the Washington establishment to China itself, since it has had a strategy to supplant America as the dominant military and economic power since 1949. At this point, the U.S. government should have only one major trade-policy goal: rolling back China’s innovation-mercantilist agenda. That’s the only way to stay ahead of China militarily, technologically, and economically, at least for the next several decades.

[Read the article.](#)

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## **The Number of New Startups Is Down—and That's OK**

Op-ed in *Entrepreneur*

Pundits lament the recent decline in new business formation, but the truth is there’s no need for hand-wringing, particularly when it comes to new “mom and pop” subsistence startups. In fact, there is no relationship between that sort of small business and economic growth. What really matters is how high-growth, innovation-based startups are doing (think: biotech or robotics startups, not owner-operated pizza parlors). And here, things are healthy.

[Read the op-ed.](#)

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## **Banning Police Use of Facial Recognition Would Undercut Public Safety**

Commentary in ITIF's *Innovation Files*

The ACLU claimed last week that Rekognition, Amazon's facial recognition technology, falsely matched 28 members of Congress with mugshots of people who had been arrested for crimes. The ACLU has used its test as justification for calling on Congress to place a moratorium on law enforcement use of all facial recognition technology—not just Rekognition—because it is “flawed, biased, and dangerous.” But such a ban would be wholly inappropriate based on the evidence to date, and it would limit many beneficial uses of the technology for public safety.

[Read the commentary](#)

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## **Resist Unilateral EU Efforts to Change International Tax Law for Corporations**

Commentary in ITIF's *Innovation Files*

The rapid growth of Internet companies has changed the world economy and strained the system of taxing international transactions. If a subsidiary in one country agrees with a firm in another country to show ads to users in a third country, then where should any profits be taxed? Unfortunately, several European countries want to unilaterally tax the largest Internet companies. The United States should vigorously oppose this effort, because it is mercantilist in nature.

[Read the commentary](#)

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## **Don't Let Potential Environmental Concerns Stop Supersonics from Achieving Lift-off**

Commentary in ITIF's *Innovation Files*

Several companies are developing concepts for supersonic aircraft that could cut transcontinental travel times in half, and Congress is now considering rules to permit the flights over land in certain circumstances. But many activists object, citing potential environmental concerns with the yet-to-be-developed aircraft. If they're successful in blocking more permissive rules, they will slow the progress of a technology that could bring substantial consumer and economic benefits.

[Read the commentary.](#)

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## **U.S. Data Innovation Day 2018: The Future of Data-Driven Medicine**

Event

With the advent of electronic health records, low-cost genome sequencing, molecular imaging, and wearable devices, the digital footprint of the average patient is rapidly expanding. As an increasing number of data scientists and computer scientists join those on the front lines of medical research and these researchers gain access to an enormous amount of computing power in the cloud, there will be unprecedented opportunities to use data to accelerate medical research and develop more cost-effective, personalized treatments.

Please join ITIF's Center for Data Innovation for its annual Data Innovation Day conference. This year's event will focus on the successful ways the pharmaceutical industry is using data to create more value in health care, especially by using data to drive down costs, bring drugs to market faster, and address the needs of different patient populations.

**When:** Thursday, September 13, 1:00 PM–5:00 PM EDT

**Where:** District Architecture Center, 421 7th St NW, Washington, DC 20004

[Learn more and register.](#)

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## **Integrating Europe's AI and Cybersecurity Strategies**

Event

The European Commission is pursuing major initiatives in AI and cybersecurity. The goal of the former is to ensure Europe's competitiveness in the development and use of AI, while the goal of the latter is to improve awareness and response to growing cybersecurity threats. But integrating the two initiatives would strengthen both. AI provides attackers new cybersecurity vulnerabilities to exploit and new methods to automate cyberattacks. Conversely, AI is a powerful tool for automating cyber defenses, discovering unknown vulnerabilities, and augmenting the shortage of human workers available to address cybersecurity challenges. That is why AI should play a key role in the EU's cybersecurity strategy, and why cybersecurity should be a major part of its AI strategy.

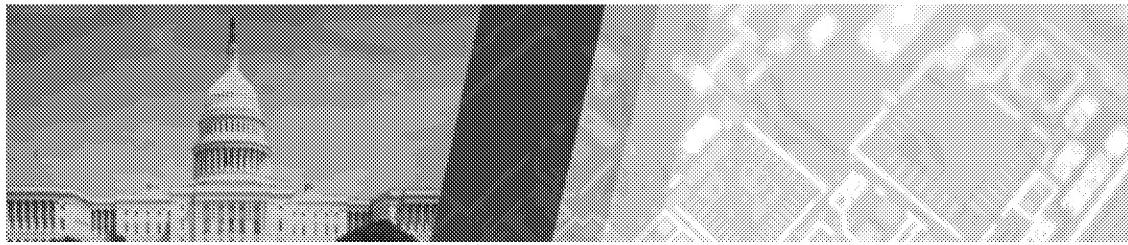
Please join ITIF's Center for Data Innovation and a panel of experts for a conversation about how AI can help Europe secure its systems, and the steps Europe should take to build more secure AI.

**When:** Wednesday, September 26, 9:00–10:30 AM CET

**Where:** Press Club Brussels, Rue Froissart 95, 1000 Brussels, Belgium

[Learn more and register.](#)

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## **ITIF Offers “Tech Policy 101” for Hill Staff**

### **Apply Now for Fall Seminar Course**

Many of the most consequential issues in Congress today have to do with technological innovation—from workforce automation to big data, the Internet of Things, cybersecurity, network neutrality, spectrum policy, and more.

To help Hill staff explore these issues—including the technologies, economic theories, and legal and policy frameworks that underpin them—ITIF is offering a “Tech Policy 101” educational seminar that will consist of six classes starting on Thursday, September 6, and continuing on consecutive Monday evenings from September 10 to October 8, 2018.

To apply, House and Senate staff may send a resume and short cover letter to [mail@itif.org](mailto:mail@itif.org) with “Tech Policy 101” in the subject line. The deadline for applications is August 15. Participation will be capped to ensure the class size is conducive to in-depth discussion.

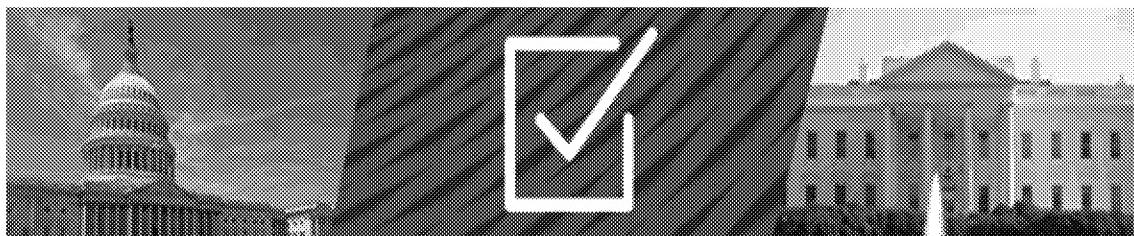
[\*\*Download additional details \(PDF\)\*\*](#)

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## **ITIF Seeks an Event Coordinator**

### **Spread the Word**

Details about the position and application process are available at: [itif.org/jobs](http://itif.org/jobs). Please share with interested candidates.



## ITIF's Tech Policy To-Do List

Actionable Ideas for the Administration and Congress

**Idea of the Week:** The White House should coordinate a multi-agency effort to streamline access, permitting, and leasing of federal land and assets to speed buildout of fiber and wireless networks.

Agencies should facilitate network deployment on federal lands and buildings with a uniform, expedited process for permitting and leasing to ease siting of wireless infrastructure or new fiber networks. As it stands, gaining access to federal rights of way can take significantly longer than contracting with private parties. OSTP should coordinate a multi-agency effort to make this process as uniform and streamlined as possible, putting in place a single regime for deploying network infrastructure assets of the departments of Agriculture, Commerce, Defense, Interior, Transportation, Veterans Affairs, and the U.S. Postal Service.

[More about this idea.](#) | [Browse ITIF's full report.](#)

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## Should Government Regulate Illicit Uses of 3D Printing?

Report From the Archives

Under a settlement with the U.S. Justice Department, a nonprofit called Defense Distributed reportedly plans this week to begin publishing the technical blueprints

necessary to fabricate firearms with 3D printers. This has raised alarms for many lawmakers and gun-control advocates who have called for measures to control the spread of 3D-printed guns. Shedding light on how to address this issue, ITIF published a report in 2013 analyzing the policy options.

[Download the report.](#)

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## ITIF in the News

[Voice of America](#): China Pivots to Europe for Technology Transfers

[TechRepublic](#): How New Trump Executive Order Could Fight Automation Impact, Bridge Tech Skills Gap

[FedTech](#): Cloud-Based Tools Ease the Load for NASA, NOAA Websites

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## Innovation Fact of the Week

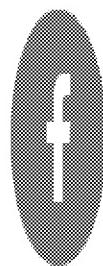
The cost to sequence a human genome decreased more than 99.999 percent from \$300 million in 2000 to \$1,500 in 2016.

**Source:** National Human Genome Research Institute, "The Cost of Sequencing a Human Genome," July 6, 2016.

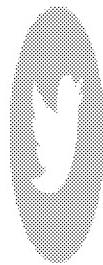
**Commentary:** The future of medicine lies in better understanding the human genome and how our bodies function at the most basic level, and that requires reliable and inexpensive genome sequencing. The Human Genome Project took years to complete the first full human genome sequence at a cost of \$300 million, which was primarily underwritten by the National Institute of Health. Subsequent technological breakthroughs, such as fluorescent labelling and programs capable of reconstructing smaller DNA fragments, massively decreased costs of a full genome sequence to \$1,500 in 2016.

Comparing the cost decreases of genome sequencing to Moore's Law illustrates just how rapid technological advancements in the biomedical field have been. Moore's Law suggested that the cost for a unit of computing power would halve every year. While computing has fallen well behind that prediction, only halving every two years, genome sequencing has exceeded that benchmark, halving in price in nearly every nine months from 2006 to 2016.

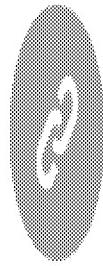
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(Federal)  
[MWalsh@doc.gov]  
**Subject:** Full Tariff Bailout Could Cost \$39B,  
Chamber Says

## INTERNATIONAL TRADE



Tuesday, July 31, 2018



### TOP NEWS

#### **Full Tariff Bailout Could Cost \$39B, Chamber Says**

On the heels of President Donald Trump's decision to assist farmers caught in the crossfire of his trade enforcement push, the U.S. Chamber of Commerce said Monday that extending the same relief to other affected producers could stretch the cost to \$39 billion. [Read full article »](#)

#### **US Dings China's Tariff Retaliation As WTO Fight Trudges On**

The World Trade Organization battle over U.S. tariffs punishing China for its intellectual property policies is surging ahead, with the U.S. delegation openly questioning China's basis for accelerating the case and for imposing retaliatory duties of its own, according to a WTO document circulated on Monday. [Read full article »](#)

#### **Russia Largely Wins WTO Fight Over Ukrainian Railway Parts**

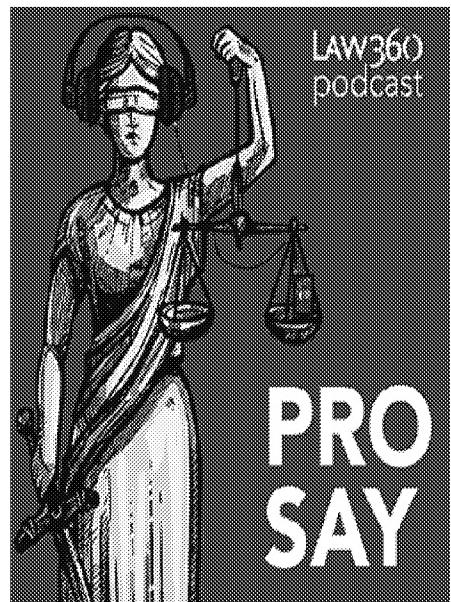
The World Trade Organization struck down many of Ukraine's claims in its dispute with the Russian Federation over its restrictions on Ukrainian shipments of railway equipment, finding certain limits nondiscriminatory but unnecessary, according to a panel report circulated on Monday. [Read full article »](#)

#### Feature

#### **What Attys Need To Know About UK Foreign Investment**

The U.K. government is working to create a formal process for reviewing foreign investments for national security threats, making it the latest country to revamp its system for catching hostile investments in sensitive industries. Here, Law360 outlines what attorneys need to know about potential changes in the U.K. [Read full article »](#)

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Davis & Gilbert

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Gilbert LLP

Goldberg & Fliegel

Hogan Lovells

Holland & Knight

## **States Sue To Block Federal 3D Gun Printing Settlement**

Eight states and Washington, D.C., sued the Trump administration in Washington federal court Monday, seeking to block a recent settlement allowing a defense firm to publicly post 3D printing plans for guns online, saying the deal would wrongly allow "dangerous criminals" to effectively access untraceable weapons. [Read full article »](#)

## **Japan Picks Lockheed To Supply Missile Defense Radars**

Japan has settled on Lockheed Martin to provide radar systems for a pair of land-based Aegis ballistic missile defense systems reportedly aimed at providing protection against any possible North Korean attack, according to Monday news reports. [Read full article »](#)

## **ARBITRATION**

### **Uzbekistan Owes \$13M Award For Tax Changes, US Suit Says**

The Republic of Uzbekistan has failed to pay any of the \$13 million that a European tribunal awarded to U.K.-based Oxus Gold PLC after finding changes in the country's tax regime harmed the mining company, according to a complaint filed in a D.C. federal court. [Read full article »](#)

## **EXPERT ANALYSIS**

### **A Rare Statute-Of-Limitations Victory Against The SEC**

Earlier this month, the U.S. Securities and Exchange Commission suffered a major setback to its core enforcement principle that no statute of limitations bars the agency from filing cases for permanent injunctions. The decision in SEC v. Cohen is important to defense counsel for a couple of reasons, say Joseph Dever and Matthew Elkin of Cozen O'Connor PC. [Read full article »](#)

## **LEGAL INDUSTRY**

### **Global 20: Mayer Brown**

Mayer Brown has watered its global roots by breaking ground on new offices in Tokyo and San Francisco this year, while continuing to help clients work on innovative deals such as the first green bond sale by a pension fund on a global scale, solidifying its place on Law360's Global 20 list. [Read full article »](#)

### **Cleary, Outsourcing Co. Hit With Another Sex Harassment Suit**

Three months after it was hit with similar allegations, Cleary Gottlieb Steen & Hamilton LLP was sued in New York state court Monday by a former office worker who accused it and outsourcing company Williams Lea Inc. of letting a colleague sexually harass her and forcing her out after she complained. [Read full article »](#)

### **John Hogan, 'Lawyer's Lawyer' At Holland & Knight, Dies At 68**

John Hogan, the Miami-based partner who chaired Holland & Knight LLP's litigation section and the onetime chief of staff to former U.S. Attorney General Janet Reno, died on Saturday due to complications from a bone

Mayer Brown

McDermott Will

Mintz Levin

Morgan Lewis

Shearman & Sterling

## **COMPANIES**

Apple Inc.

BDO LLP

Council on Foreign Relations

Google Inc.

Lockheed Martin Corp.

Markets Group Inc.

Nestle

New York City Bar Association

Northrop Grumman Corp.

OTC Markets Group Inc.

Oath Inc.

Raytheon Co.

Royal Bank of Canada

Safran Identity & Security SA

Twitter Inc.

U.S. Chamber of Commerce

Williams Lea

eBay Inc.

## **GOVERNMENT AGENCIES**

Committee on Foreign Investment in the United States

Competition and Markets Authority

European Commission

European Union

House of Lords of the United Kingdom

Missile Defense Agency

Securities and Exchange Commission

Solicitors Regulation Authority

U.S. Department of Defense

U.S. Department of Justice

U.S. Department of State

U.S. House of Representatives

U.S. Navy

U.S. Patent and Trademark Office

U.S. Supreme Court

United States District Court for the Eastern District of Pennsylvania

World Trade Organization

marrow transplant, the firm announced on Monday. He was 68. Read full article »

## Kavanaugh Wins Over Rand Paul, Meets With 1st Senate Dem

President Donald Trump's nominee for the U.S. Supreme Court, D.C. Circuit Judge Brett Kavanaugh, took key steps toward winning confirmation Monday: charming Sen. Rand Paul, R-Ky., to his side and sitting down with his first Democratic senator. Read full article »

## UK Regulator Refers Hogan Lovells Matter To South Africa

The London headquarters of an international law firm announced Monday it had been cleared of involvement in a public corruption scandal involving South Africa's top revenue official, but its local branch may not be out of the woods yet. Read full article »

## Google's Top Lawyer Moves Up, Leaving GC Slot Open

Google Inc. has given its general counsel a new position to go with his growing global role with the California-based tech giant, paving the way for a new GC. Read full article »

## Morgan Lewis Nabs 7-Partner IP Team From McDermott

A seven-member intellectual property team has joined Morgan Lewis & Bockius LLP as partners, jumping off from McDermott Will & Emery LLP, the attorneys' new firm announced Monday. Read full article »

### Interview

## 15 Minutes With OTC Markets Group's General Counsel

Besides general knowledge of the law, one of the main qualities Dan Zinn looks for in attorneys who want to join his legal department at OTC Markets Group, which operates over-the-counter trading venues for about 10,000 U.S. and global securities, is a candidate who has a sense of ownership. Here, the top lawyer shares why he moved in-house and what's included in his typical day. Read full article »

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**From:** Jim Bartlett, Full Circle Compliance [REDACTED]@fullcirclecompliance.eu]  
**Sent:** 7/31/2018 8:12:31 PM  
**To:** Abraham, Liz (Federal) [LAbraham@doc.gov]  
**Subject:** 18-0731 Tuesday "Daily Bugle"



# THE DAILY BUGLE

Tuesday, 31 July 2018

The Daily Bugle is a free daily newsletter from Full Circle Compliance, containing changes to export/import regulations (ATF, DOE/NRC, Customs, NISPOM, EAR, FACR/OFAC, FAR/DFARS, FTR/AES, HTSUS, and ITAR), plus news and events. Subscribe [here](#) for free subscription. Contact us for advertising inquiries and rates.

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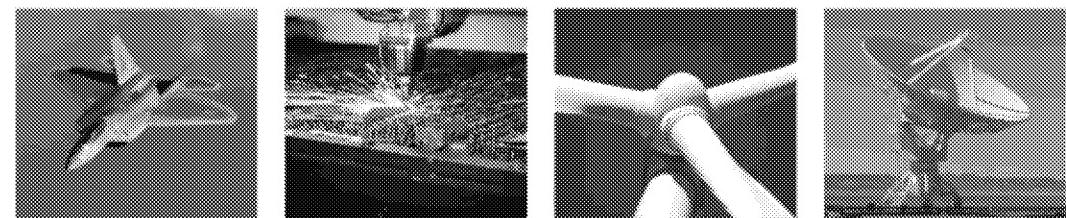
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1. President Continues National Emergency with Respect to Lebanon

(Source: [Federal Register](#), 31 July 2018.) [Excerpts.]

83 FR 37415: Continuation of the National Emergency with Respect to Lebanon

On August 1, 2007, by Executive Order 13441, the President declared a national emergency with respect to Lebanon pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701-1706) to deal with the unusual and extraordinary threat to the national security and foreign policy of the United States constituted by the actions of certain persons to undermine Lebanon's legitimate and democratically elected government or democratic institutions; to contribute to the deliberate breakdown in the rule of law in Lebanon, including through politically motivated violence and intimidation; to reassert Syrian control or contribute to Syrian interference in Lebanon; or to infringe upon or undermine Lebanese sovereignty. Such actions contribute to political and economic instability in that country and the region.

Certain ongoing activities, such as Iran's continuing arms transfers to Hizballah--which include increasingly sophisticated weapons systems--serve to undermine Lebanese sovereignty, contribute to political and economic instability in the region, and continue to constitute an unusual and extraordinary threat to the national security and foreign policy of the United States. For this reason, the national emergency declared on August 1, 2007, and the measures adopted on that date to deal with that emergency, must continue in effect beyond August 1, 2018. Therefore, in accordance with section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)), I am continuing for 1 year the national emergency with respect to Lebanon declared in Executive Order 13441. ....

(Presidential Sig.)  
THE WHITE HOUSE,  
July 27, 2018.

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\* \* \* \* \*

#### OTHER GOVERNMENT SOURCES

#### 2. Items Scheduled for Publication in Future Federal Register Editions

(Source: [Federal Register](#))

\* Commerce; Industry and Security Bureau; RULES; Addition of Certain Entities; and Modification of Entry on Entity List [Publication Date: 1 August 2018.]

\* Justice; Alcohol, Tobacco, Firearms, and Explosives Bureau; NOTICES; Agency Information Collection Activities; Proposals, Submissions, and Approvals: National Firearms Act Division and Firearms and Explosives Services Division Customer Service Survey [Publication Date: 1 August 2018.]

\* U.S. Customs and Border Protection; NOTICES; COBRA Fees to be Adjusted for Inflation in Fiscal Year 2019 [Publication Date: 1 August 2018.]

\* U.S. Customs and Border Protection; PROPOSED RULES; Modernized Drawback [Publication Date: 2 August 2018.]

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### 3. Commerce/BIS: (No new postings.) (Source: [Commerce/BIS](#))

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### 4. DoD/DSCA Posts Policy Memo 18-37 (Source: [DoD/DSCA](#), 31 July 2018)

\* DSCA Policy Memo 18-37 Decrease to Delivery Term Codes Percentage Rates for "Below-the-Line" Transportation on Foreign Military Sales and Building Partnership Capacity cases has been posted.

- This memo updates Table C9.T4a, Table of Delivery Term Codes and Percentage

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### 5. DoD/DSS Clarifies Guidance for Access to SAPs (Source: [DoD/DSS](#), 31 July 2018.)

The DoD Special Access Program Central Office provides clarifying guidance for granting access to Special Access Programs. You can find the guidance [here](#).

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### 6. DHS/CBP Posts Updated ABI Software Vendors List (Source: [CSMS #18-000464](#), 31 July 2018.)

This notice is to inform the Trade that an updated ABI Software Vendors List is now available [here](#).

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### 7. State/DDTC: (No new postings.) (Source: [State/DDTC](#))

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## 8. EU Amends Restrictive Measures Concerning Combating Terrorism, Ukraine, Libya, and North Korea (Source: [Official Journal of the European Union](#), 31 July 2018.)

### *Regulations:*

- \* [Council Implementing Regulation \(EU\) 2018/1071 of 30 July 2018](#) implementing Article 2(3) of Regulation (EC) No 2580/2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism and repealing Implementing Regulation (EU) 2018/468
- \* [Council Implementing Regulation \(EU\) 2018/1072 of 30 July 2018](#) implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine
- \* [Council Implementing Regulation \(EU\) 2018/1073 of 30 July 2018](#) implementing Article 21(2) of Regulation (EU) 2016/44 concerning restrictive measures in view of the situation in Libya
- \* [Council Implementing Regulation \(EU\) 2018/1074 of 30 July 2018](#) implementing Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea

### *Decisions:*

- \* [Council Decision \(CFSP\) 2018/1084 of 30 July 2018](#) updating the list of persons, groups and entities subject to Articles 2, 3 and 4 of Common Position 2001/931/CFSP on the application of specific measures to combat terrorism, and repealing Decision (CFSP) 2018/475
- \* [Council Decision \(CFSP\) 2018/1085 of 30 July 2018](#) amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine
- \* [Council Implementing Decision \(CFSP\) 2018/1086 of 30 July 2018](#) implementing Decision (CFSP) 2015/1333 concerning restrictive measures in view of the situation in Libya
- \* [Council Decision \(CFSP\) 2018/1087 of 30 July 2018](#) amending Decision (CFSP) 2016/849 concerning restrictive measures against the Democratic People's Republic of Korea

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NEWS

## 9. BBC: "Brexit: Barnier Rules out Key UK Customs Proposal"

(Source:[BBC](#), 26 July 2018.)

The EU's chief negotiator has ruled out allowing the UK to collect customs duties on its behalf, a key UK proposal for post-Brexit trade.

Michel Barnier said the UK wanted to "take back control" of its money, law and borders - but so did the EU.

The EU would not delegate "excises duty collection to a non-member", he said.

Both he and UK Brexit Secretary Dominic Raab said progress had been made but "obstacles" remained before reaching a deal in October.

Mr Raab said: "We have agreed to meet again in mid-August and then to continue weekly discussions to clear away all the obstacles that lie on our path, to a strong deal in October - one that works for both sides."

He replaced David Davis, who quit as Brexit secretary in protest at Theresa May's plans for a future economic relationship between the UK and EU, as set out in the White Paper.

That set out in more detail the government's proposed customs system, the Facilitated Customs Arrangement for goods and agri-foods. The UK's plan involves it collecting some EU tariffs - in a bid to ensure frictionless trade in goods and to avoid a hard border in Northern Ireland. ...

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## 10. Expeditors News: "Senate Passes Miscellaneous Tariff Bill"

(Source: [Expeditors News](#), 30 July 2018.)

On July 26, 2018, the U.S. Senate passed the Miscellaneous Tariff Bill Act of 2018 (MTB) with minor amendments. The bill now goes back to the House of Representatives for approval.

The MTB removes expired duty rate reductions in the Harmonized Tariff Schedule of the U.S., and adds duty suspensions and reductions that last through December 31, 2020.

The effective date of the bill will be 30 days after the date of the enactment of the MTB.

The Senate's Congressional Record (CR S5438) may be found [here](#).

The MTB (H.R. 4318), as passed by the House on January 16, 2018, may be found [here](#).

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## 11. Guns.com: "Court Rejects Bid by Groups to Block 3-D Firearm Files, States Step In"

(Source: [Guns.com](#), 30 July 2018.)

A judge in a Texas federal court last week declined to side with gun control groups trying to stop the planned release of downloadable firearm files as states are mobilizing to block the information themselves.

U.S. Judge Robert Pitman, a sixth-generation Texan and 2014 appointment by President Obama, on Friday, denied a motion by the Brady Campaign, Everytown, and Giffords to intervene in the lawsuit between Austin-based Defense Distributed and the U.S. State Department.

The gun control advocates argued that the settlement reached between DefDist and the government would allow felons and terrorists to download 3-D files that could assist in unregulated firearm manufacturing. Pittman held the groups lacked standing and, declining to grant a request to halt the pending publication of the files, dismissed the case.

"Just goosed Brady, Gabby and Mike Bloomberg in federal court. Enjoy your weekend," tweeted DefDist founder Cody Wilson in the aftermath of the ruling.

Wilson, who catapulted to controversy in 2013 when he first released online plans for his 3-D printed single-shot .380 Liberator pistol that quickly garnered over 100,000 downloads, has been mired in legal combat with the State Department ever since as the feds argued the availability of the plans, which recognized no borders, was a violation of International Traffic in Arms Regulations.

DefDist filed suit against the Obama administration in 2015 with the help of the Second Amendment Foundation, before the State Department switched gears last month and moved to grant Wilson's company a special exemption to ITAR regulations on Friday, allowing him to post a variety of non-military small arms files on [DefCAD.com](#).

"The State Department has made a dangerous and baffling mistake," said Nick Suplina, legal policy director for Everytown. "For years, the State Department worked to prevent these deadly designs from going public, and it's difficult to fathom why it suddenly reversed course on an issue with such clear consequences for public safety," he continued. "Allowing unfettered access to these designs will enable felons, terrorists, and domestic abusers to create guns with ease and put public safety at risk."

*States step in*

In response to a threat by New Jersey state Attorney General Gurbir Grewal and Los Angeles City Attorney Mike Feuer last Thursday warning DefDist of pending legal action should the company allow residents in their state to download the controversial files, Wilson fired back Saturday with a lawsuit against the two, arguing they are violating First Amendment free speech protections.

In the 16-page filing, attorneys for DefDist hold that Grewal and Feuer "have waged an ideologically-fueled program of intimidation and harassment against" the company, intending to drag Wilson "before all manner of far-flung criminal and civil tribunals in an effort to silence the organization."

Seeking damages and attorney fees, attorneys Alan Gura and Josh Blackman outline the threats of litigation from Grewal and Feuer also illegally interfere with DefDist's lawful business under the Dormant Commerce Clause, which restricts the powers of states to get involved in federally-protected interstate commerce.

Pending the outcome of the challenge, Wilson's group has blocked IP addresses in Los Angeles, New Jersey, and Pennsylvania- where a similar case was made in a Philadelphia federal court on Sunday- from downloading DefCAD files.

"Defense Distributed's mission, & the federal gov't abdication of their responsibilities, forces my hand into fighting an obscene proposition," said Pennsylvania Attorney General Josh Shapiro, like Grewal and Feuer a Democrat. "We have laws in place to keep people safe, & during a time when students aren't safe in their own classrooms, we need more help - not less."

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## 12. Reuters: "U.S. Eases Export Controls for High-Tech Sales to India: Ross"

(Source: Reuters, 30 July 2018.)

The United States has eased export controls for high technology product sales to India, granting it the same access as NATO allies, Australia, Japan and South Korea, U.S. Commerce Secretary Wilbur Ross said on Monday.

Ross, speaking at a U.S. Chamber of Commerce event, said the move to grant Strategic Trade Authorization status STA1 to India reflects its efforts to improve its own export-control regime, its adherence to multilateral export rules and its growing status as a U.S. defense partner.

"STA1 provides India greater supply chain efficiency, both for defense, and for other high-tech products," Ross said, adding that the elevated status

would have affected about \$9.7 billion worth of Indian goods purchases over the past seven years.

India's ambassador to the United States, Navtej Sarna, told the same forum the U.S. move was a logical step after the United States designated India a major defense partner in 2016.

"It is a sign of trust, not only in the relationship, but also (in) Indian's capabilities as an economy and as a security partner, because it also presupposes that India has the multilateral export control regime in place which would allow the transfer of more sensitive defense technologies," he said.

"It also testifies to the excellent record we have had in maintaining non-proliferation of these technologies," he said. "I certainly think it fleshes out our defense partnership in a big way."

Political and military ties between the countries have expanded significantly in recent years although trade differences have arisen since U.S. President Donald Trump took office in 2017.

Ross's announcement comes ahead of high-level talks between the United States and India in September that will be attended by U.S. Secretary of State Mike Pompeo and Defense Secretary Jim Mattis. The Sept. 6 talks have been twice postponed this year.

India and the United States share an interest in countering China's expanding economic and military weight and the United States has emerged as a top arms supplier to India, selling more than \$15 billion of weapons over the past decade as New Delhi modernizes its Soviet-era military.

Washington has offered India the armed version of drones that were originally authorized for sale as unarmed and for surveillance purposes. If the deal comes to fruition, it would be the first time the United States has sold a large armed drone to a country outside the NATO alliance.

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#### COMMENTARY

13. M. Volkov: "Criminal Sentencing and Deterrence: White Collar Crime and Corporate Misconduct (Part I of III)"  
(Source: [Volkov Law Group Blog](#), 31 July 2018. Reprinted by permission.)

\* Author: Michael Volkov, Esq., Volkov Law Group,  
[mvolkov@volkovlaw.com](mailto:mvolkov@volkovlaw.com), 240-505-1992.

The sentencing of criminal defendants continues to create controversy. There are so many categories of crime and ranges of punishment - the issue always calls for difficult judgments and inevitably results in vigorous debate.

In this three-part series, I plan to examine some of the issues surrounding sentencing of white-collar defendants and deterrence. It is often presumed that stiff sentencing of white-collar defendants is an important means to deter other potential criminals from engaging in white-collar crimes. To be frank, the question itself is difficult to answer because of definitional issues. What crimes are included in the definition of white-collar crimes? The analysis becomes even more difficult when you add corporations into the mix and seek to determine what sentences deter corporate white-collar crimes.

Federal judges have broad discretion in determining the appropriate punishment from white-collar defendants. Specifically, judges are required "to impose a sentence sufficient, but not greater than necessary," to respond to the "seriousness of the offense, to promote respect for the law, and to provide just punishment for the offense." Such a prescription covers the relevant issues but defining each of these factors is the difficult part of the job.

In focusing on white-collar defendants, judges face a difficult set of considerations. According to Judge Jed Rakoff (see [Here](#)), an outspoken federal judge on these issues, the most effective way to deter white-collar crime is to impose stiff sentences on individual actors. Judge Rakoff argues that sentencing individuals has more deterrence value than imposing large corporate fines for a criminal conviction, and imposing a deferred prosecution agreement or non-prosecution agreement.

Judge Rakoff contends that corporations that pay large fines and suffer negative publicity have no incentive to change their cultures. In his view, corporate punishments are viewed as a cost of doing business. In criticizing the current DOJ focus on corporate crime, Judge Rakoff suggests that DOJ's focuses on corporate prosecutions instead of individual senior executives because it is easier to prosecute a corporation than to build a criminal case against individual defendants. Judge Rakoff has a point - it takes more time and effort for prosecutors to build cases against individual defendants, and such cases are not always easy to win at trial.

A prosecutor has to devote time to building cases against lower-level offenders and "flipping" them to cooperate against higher-level executives in the food chain. To build a case requires time, and carries with it significant risks that such an effort may not be successful.

As a result, federal prosecutors have outsourced prosecution work to large law firms and relied on them to develop evidence sufficient to charge a corporation (or at least threaten the company with criminal charges). Such prosecutions rarely, if ever, go to trial. Prosecutors hold all the cards in

these investigations given the broad sweep of respondeat superior and corporate liability.

Along with the focus on corporate crime, prosecutors have applied tools previously used in individual criminal cases - a deferred prosecution or non-prosecution agreement - to corporate prosecutions. Prosecutors have argued that such agreements provide an incentive for companies to change their corporate culture and reduce the risk of misconduct.

Whether such agreements have had a positive impact on corporate cultures is up for debate. No significant research has been completed in this area, and it is an important issue to be resolved.

Notwithstanding these developments, and based on his lengthy career, Judge Rakoff contends that white-collar criminals, almost universally, fear going to prison. He argues that the threat of going to jail is a major deterrent, and is much more effective than corporate prosecutions in preventing corporate misconduct.

Judge Rakoff contends that more than half of white-collar offenders are recidivists. Based on this fact alone, Rakoff contends that prosecuting corporations instead of individuals has had no significant impact on corporate crime.

Unfortunately, Judge Rakoff's reliance on US Sentencing Commission data to prove his point may not be so persuasive. According to a recent report issued by the US Sentencing Commission ([Here](#)), *The Criminal History of Corporate Offenders*, just over half (52.4 percent) of serious fraud offenders in fiscal year 2016 had a prior criminal record. However, of the serious fraud offenders, traffic offenses were the most common (44 percent), followed by larceny (41.7 percent), public order (39.1 percent), fraud (36.8 percent) and drug possession (24.8 percent). To the extent this data supports the claim that many white-collar offenders are recidivists, Judge Rakoff's point has merit - criminal deterrence and stiff prison sentences for individuals falling into this category may be warranted.

*[Editor's Note: The subsequent parts in this series will be included in the Daily Bugle when they are available.]*

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#### 14. R. Cook, M. Banerji & S. Klemencic: "Successful CFIUS Monitorships"

(Source: [The Harvard Law School Forum on Corporate Governance and Financial Regulation](#), July 23, 2018)

\* Authors: Randall Cook, Esq., [randy.cook@ankura.com](mailto:randy.cook@ankura.com), +1 646-291-8545; Mona Banerji, Esq., [mona.banerji@ankura.com](mailto:mona.banerji@ankura.com), +1 212-449-7183; Steven Klemencic, [steven.klemencic@ankura.com](mailto:steven.klemencic@ankura.com), +1 202-449-7185.

This post describes critical considerations for a successful monitorship of mitigating controls required by the Committee on Foreign Investments in the United States ("CFIUS" or the "Committee"). CFIUS is an interagency US Government committee that reviews Foreign Direct Investment ("FDI") into the United States to identify and address any consequent national security risks. Growing concern with the impact of foreign countries acquiring national security-critical technologies and other strategic advantages through investment activity has prompted CFIUS to become more active and assertive. Moreover, legislation is pending in both houses of Congress that will significantly expand CFIUS's jurisdiction to review FDI and require mandatory declaration of specified investment types.

When CFIUS identifies possible national security risks arising from a reviewed transaction, the Committee may make implementation of mitigating control measures a condition of allowing the deal to go forward. In order to assure the effectiveness and persistence of such measures, CFIUS often requires the concurrent appointment of an independent third-party monitor ("TPM") to oversee and periodically report on these controls. Indeed, given the increasing demands on scarce CFIUS resources consequent to the policy trends described above, both the Committee and industry are increasingly looking to TPMs to play a critical facilitating role to enable valuable transactions to proceed while addressing national security concerns.

So, what makes for a successful monitorship? Since no two CFIUS related transactions are the same, each monitorship is unique to the facts and dynamics of the transaction on which it is based. However, there are certain features that are foundational to a successful CFIUS monitorship. To best achieve the purposes of CFIUS mitigation agreements, the monitorship needs to be designed, and the TPM selected, with four key considerations in mind: CFIUS experience, technical capability, business cognizance, and trust.

#### *CFIUS Experience*

CFIUS may require mitigating controls to address risks identified during a national security threat assessment that focuses on the foreign party and a vulnerability assessment that focuses on the US party in a covered transaction. These transactions are becoming increasingly complex in terms of business organization and ownership, the technologies and assets at issue, and the corresponding risks presented to US national security. Depending on the nature of the business and assets involved, these risks may include (among numerous other concerns):

- \* Access to or influence over critical technologies or infrastructure;
- \* Sensitive supply chain integrity;
- \* Access to quantities of personal identifying information (PII) or personal health information (PHI);
- \* Communication and financial network security; and

- \* Insight into or the ability to monitor sensitive US security and intelligence operations.

A successful CFIUS monitorship must assure the Committee's designated monitoring agencies that the required controls are being implemented effectively and persistently to address the identified risks. Thus, it is crucial that the TPM have a deep understanding of the process, equities, and concerns that underlie the controls, and how the controls need to operate and be reported to address these issues. It is also enormously helpful for the TPM to be thoroughly familiar with the monitoring agencies' process for keeping tabs on mitigation controls, and know how to effectively and efficiently inform the agencies that the underlying national security risks continue to be addressed.

#### *Technical Capability*

In order to mitigate complex risks, CFIUS frequently requires a combination of management, technical, and operational controls. Areas where the CFIUS frequently requires mitigating controls include:

- \* *Access:* Measures intended to limit access to sensitive data, critical technology, and operational information, including:
  - Physical Controls: Limitation of access to company facilities through such measures as electronic badging, camera surveillance, physical barriers, and personnel screening.
  - Systems Controls: Limitation of access to sensitive information and critical controls through such measures as (among numerous others):
    - (a) Partition of business technology systems;
    - (b) Demonstrated compliance with best practice standards for cybersecurity and technology security (e.g., NIST, ISO);
    - (c) Enhanced network security monitoring;
    - (d) Persistent suppression and/or deletion of sensitive information in business systems and processes; and
    - (e) Active penetration testing of both physical and network environments.
- \* *Protocols and Procedures:* Comprehensive updates to *company policies, processes, and systems* to integrate the requirements of the mitigation agreement to integrate the requirements of the mitigation agreement into the company's governance, operations, and culture. Examples of protocols that facilitate a CFIUS monitorship include:
  - Management protocols that clearly define roles and duties,
  - Data and cybersecurity governance procedures,
  - Third -party vendor assessment and management procedures,
  - Data use and handling policies,
  - Electronic communications protocol, and
  - Incident response protocol.
- \* *Training:* Programmatic, tailored education of company personnel regarding the purposes and requirements of the mitigation agreement, specifically including individual responsibility for compliance and incident reporting.

\* *Incident Response and Reporting:* CFIUS mitigation agreements always require processes to identify, promptly respond to, and notify the Committee of the violation or failure of a mandated control.

A TPM that integrates the right technical competencies with practical experience designing, implementing, auditing, and overseeing compliance with mitigation controls is crucial to success. Required capabilities may include: cybersecurity and response, data and privacy management, data analytics, business process improvement, re-engineering, and automation, forensic auditing and investigations, project management, and regulatory expertise. A seasoned TPM provides critical hands-on guidance and assistance to the company as it works through the practical problems of implementing and integrating mitigation controls. Concurrently, a technically-competent TPM will be able to credibly demonstrate to the CFIUS monitoring agencies the effectiveness of the monitorship program.

#### *Business Cognizance*

By definition, the original impetus for a CFIUS-reviewed transaction is an underlying business proposition that drives the opportunity for a deal. The mitigating controls and monitorship will operate in the context of what all parties anticipate will be a successful business organization. The controls and monitorship must be effective at addressing the identified national security risks, and they also need to enable the company and its people to successfully operate. A successful TPM will recognize that those twin objectives are frequently best-achieved by working with business leaders and operations teams to integrate compliance requirements into corporate structure, systems, and processes. By uniting CFIUS compliance with organizational DNA, the company and the monitorship have the best opportunity for success. Operationally, the TPM needs to have a good understanding of the business and its commitments, and an innovative, risk-based approach that enables achievement of the monitorship's purposes without unnecessarily exercising the company or the CFIUS monitoring agencies.

#### *Trust*

Successful CFIUS monitorships are built on a foundation of trust among the parties and the monitoring agencies. The TPM plays the crucial role of honest broker for all equities in this trust relationship. The TPM needs to have the Government's confidence that national security concerns will be addressed with the same energy as would be the case if the monitoring agencies were directly executing the monitorship. Similarly, the TPM needs to have the business's trust that the monitorship's purposes will be addressed with an approach that harnesses innovation and pragmatism to avoid unnecessary friction. To earn and sustain this trust, the TPM needs several characteristics:

- \* A well-earned reputation for integrity and independence,
- \* A commitment to transparency and open communications with the parties and monitoring agencies,

- \* A collaborative, engaging approach to executing the monitorship, and
- \* Consistent, disciplined, and known processes for identifying and resolving issues and monitorship reporting.

### *Conclusion*

The policy dynamics and anticipated statutory changes that are driving increased CFIUS activity are unlikely to abate. Deals involving US companies and FDI with a nexus to national security are increasingly likely to become subject to CFIUS review. When a monitorship is required, integrating the considerations described above in the design of the monitorship and the selection of the TPM will substantially improve the prospects for a successful transaction.

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## EX/IM TRAINING EVENTS & CONFERENCES

### 15. CompTIA Presents "12th Annual CompTIA Global Trade Compliance Best Practices Conference" on 18 Sep in San Diego, CA (Source: [CompTIA](#))

- \* What: 12th Annual CompTIA Global Trade Compliance Best Practices Conference
- \* When: Tuesday, September 18, 2018
- \* Where: Qualcomm, 10155 Pacific Heights Boulevard, San Diego, California 92121
- \* Sponsor: CompTIA
- \* Contact: Ken Montgomery, [kmontgomery@comptia.org](mailto:kmontgomery@comptia.org)
- \* Information & Registration: [HERE](#).

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### 16. ECTI Presents "BIS License Application 748P: How to Prepare It and How to Ensure Best Possible Approval Time" Webinar, 11 Sep

(Source: Danielle Hatch, [danielle@learnexportcompliance.com](mailto:danielle@learnexportcompliance.com))

- \* What: BIS License Application 748P: How to Prepare It and How to Ensure Best Possible Approval Time
- \* When: September 11, 2018; 1:00 p.m. (EDT)
- \* Where: Webinar
- \* Sponsor: Export Compliance Training Institute (ECTI)
- \* ECTI Speaker: Felice Laird

\* Register: [Here](#) or Danielle Hatch, 540-433-3977,  
[danielle@learnexportcompliance.com](mailto:danielle@learnexportcompliance.com).

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## EDITOR'S NOTES

### 17. Bartlett's Unfamiliar Quotations

(Source: Editor)

\* **Emily Bronte** (Emily Jane Brontë; 30 Jul 1818 - 19 Dec 1848) was an English novelist and poet who is best known for her only novel, *Wuthering Heights*, now considered a classic of English literature. Emily was the third-eldest of the four surviving Brontë siblings, between the youngest Anne and her brother Branwell. She wrote under the pen name Ellis Bell.)

- "A person who has not done one half his day's work by ten o'clock, runs a chance of leaving the other half undone."

\* **Milton Friedman** (Milton Friedman; 31 Jul 31, 1912 - 16 Nov, 2006; was an American economist who received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis, monetary history and theory, and the complexity of stabilization policy.)

- "The government solution to a problem is usually as bad as the problem."  
- "Inflation is taxation without legislation."

Monday is pun day:

\* Two atoms are walking down the street together. One says, "I think I've lost an electron." The other replies, "Are you sure?" The first one says, "I'm positive!"

- Elizabeth Wortham Hirschhorn

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### 18. Are Your Copies of Regulations Up to Date?

(Source: Editor)

The official versions of the following regulations are published annually in the U.S. Code of Federal Regulations (C.F.R.), but are updated as amended in the Federal Register. The latest amendments to applicable regulations are listed below.

\* **ATF ARMS IMPORT REGULATIONS**: 27 CFR Part 447-Importation of Arms, Ammunition, and Implements of War

- Last Amendment: 15 Jan 2016: [81 FR 2657-2723](#): Machineguns, Destructive Devices and Certain Other Firearms; Background Checks for

Responsible Persons of a Trust or Legal Entity With Respect To Making or Transferring a Firearm.

\* CUSTOMS REGULATIONS: 19 CFR, Ch. 1, Pts. 0-199

- Last Amendment: 12 Jun 2018: 83 FR 27380-27407: Air Cargo Advance Screening (ACAS)

\* DOD NATIONAL INDUSTRIAL SECURITY PROGRAM OPERATING MANUAL (NISPOM): DoD 5220.22-M

- Last Amendment: 18 May 2016: Change 2: Implement an insider threat program; reporting requirements for Cleared Defense Contractors; alignment with Federal standards for classified information systems; incorporated and cancelled Supp. 1 to the NISPOM (Summary [here](#).)

\* EXPORT ADMINISTRATION REGULATIONS (EAR): 15 CFR Subtit. B, Ch. VII, Pts. 730-774

- Last Amendment: 6 June 2018: 83 FR 26204-26205: Unverified List (UVL); Correction

\* FOREIGN ASSETS CONTROL REGULATIONS (OFAC FACR): 31 CFR, Parts 500-599, Embargoes, Sanctions, Executive Orders

- Last Amendment: 29 June 2018: 83 FR 30541-30548: Global Magnitsky Sanctions Regulations; and 83 FR 30539-30541: Removal of the Sudanese Sanctions Regulations and Amendment of the Terrorism List Government Sanctions Regulations

\* FOREIGN TRADE REGULATIONS (FTR): 15 CFR Part 30

- Last Amendment: 24 Apr 2018: 3 FR 17749-17751: Foreign Trade Regulations (FTR): Clarification on the Collection and Confidentiality of Kimberley Process Certificates

- HTS codes that are not valid for AES are available [here](#).
- The latest edition (30 Apr 2018) of *Bartlett's Annotated FTR* ("BAFTR"), by James E. Bartlett III, is available for downloading in Word format. The BAFTR contains all FTR amendments, FTR Letters and Notices, a large Index, and approximately 250 footnotes containing case annotations, practice tips, Census/AES guidance, and explanations of the numerous errors contained in the official text. Subscribers receive revised copies in Microsoft Word every time the FTR is amended. The BAFTR is available by annual subscription from the Full Circle Compliance [website](#). BITAR subscribers are entitled to a 25% discount on subscriptions to the BAFTR. Government employees (including military) and employees of universities are eligible for a 50% discount on both publications at [www.FullCircleCompliance.eu](http://www.FullCircleCompliance.eu).

\* HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES (HTS, HTSA or HTSUSA), 1 Jan 2018: 19 USC 1202 Annex. ("HTS" and "HTSA" are often seen as abbreviations for the Harmonized Tariff Schedule of the United States Annotated, shortened versions of "HTSUSA".)

- Last Amendment: 8 Jun 2018: Harmonized System Update 1809, containing 901 ABI records and 192 harmonized tariff records.

- HTS codes for AES are available [here](#).

- HTS codes that are not valid for AES are available [here](#).

\* INTERNATIONAL TRAFFIC IN ARMS REGULATIONS (ITAR): 22 C.F.R. Ch. I, Subch. M, Pts. 120-130.

- Last Amendment: 14 Feb 2018: [83 FR 6457-6458](#): Amendment to the International Traffic in Arms Regulations: Addition of South Sudan [Amends ITAR Part 126.]

- The only available fully updated copy (latest edition: 25 Apr 2018) of the ITAR with all amendments is contained in *Bartlett's Annotated ITAR* ("BITAR"), by James E. Bartlett III. The BITAR contains all ITAR amendments to date, plus a large Index, over 800 footnotes containing amendment histories, case annotations, practice tips, DDTC guidance, and explanations of errors in the official ITAR text. Subscribers receive updated copies of the BITAR in Word by email, usually revised within 24 hours after every ITAR amendment. The BITAR is available by annual subscription from the Full Circle Compliance [website](#). BAFTR subscribers receive a 25% discount on subscriptions to the BITAR, please [contact us](#) to receive your discount code.

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## 19. Weekly Highlights of the Daily Bugle Top Stories (Source: Editor)

Review last week's top Ex/Im stories in "Weekly Highlights of the Daily Bugle Top Stories" published [here](#).

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## EDITORIAL POLICY

\* The Ex/Im Daily Update is a publication of FCC Advisory B.V., compiled by: Editor, James E. Bartlett III; Assistant Editors, Alexander P. Bosch and Vincent J.A. Goossen; and Events & Jobs Editor, John Bartlett. The Ex/Im Daily Update is emailed every business day to approximately 8,000 readers of changes to defense and high-tech trade laws and regulations. We check the following sources daily: Federal Register, Congressional Record, Commerce/AES, Commerce/BIS, DHS/CBP, DOE/NRC, DOJ/ATF, DoD/DSS, DoD/DTSA, FAR/DFARS, State/DDTC, Treasury/OFAC, White House, and similar websites of Australia, Canada, U.K., and other countries and international organizations. Due to space limitations, we do not post Arms Sales notifications, Denied Party listings, or Customs AD/CVD items.

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**From:** Gary Stanley [mailto:[@glstrade.com](#)]  
**Sent:** 8/1/2018 3:59:04 PM  
**To:** Mira Ricardel [mailto:[Mira.Ricardel@bis.doc.gov](mailto:Mira.Ricardel@bis.doc.gov)]  
**Subject:** Defense and Export-Import Update (Aug. 1, 2018)

**Dear All,**

**Good Day!**

**Gary Stanley's EC Tip of the Day: Notwithstanding the other provisions in ITAR Part 124, the Directorate of Defense Trade Controls may authorize by means of a license (DSP-5) the export of unclassified technical data to foreign persons for offshore procurement of defense articles. See ITAR § 124.13 for the multiple conditions that an exporter must satisfy to use a DSP-5 license for such offshore procurement purposes.**

**Today's Items:**

- 1. DDTC Posts DTAG Tasking Letter and Three DTAG White Papers**
- 2. BIS Modifies Entity List**
- 3. U.S. Secretary of Commerce Wilbur Ross Announces Programs to Increase U.S. Commercial Engagement in the Indo-Pacific Region, Adds India to License Exception STA Tier 1 Country List**
- 4. OFAC Issues Ukraine-/Russia-Related License**
- 5. OFAC Issues Sanctions Against Lashkar-E Tayyiba Financial Facilitators**
- 6. Pres. Trump Continues National Emergency with respect to Lebanon**
- 7. DoD/DSCA Notifies Congress of possible FMS to Bahrain, Denmark, Kuwait, and The Netherlands**
- 8. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**
- 9. DoD's Special Access Program Central Office Issues Guidance for Access to SAPs**
- 10. President's National Security Telecommunications Advisory Committee to Meet Aug. 15**
- 11. WTO News**
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- 13. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**
- 14. GAO Reports, Testimony, and Correspondence of Interest**
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- 25. From a Space Station in Argentina, China Expands Its Reach in Latin America**
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- 28. The Finance 202: China Has Other Weapons with Which to Punish Trump on Trade**
- 29. Steelmaker ArcelorMittal Gains from Tariffs as Prices Rise**
- 30. France Confirms Fincantieri-STX Shipyard Deal, Cautious on Defense Merger**
- 31. Opinion: 3D-Printed Guns Were Always Going to Be Legal**
- 32. Viewpoint: DoD's Digital Engineering Strategy Has Far-Reaching Implications**

**Upcoming Export Control and Other Trade Compliance Conferences - *NEW EVENT ADDED!***

## **1. DDTC Posts DTAG Tasking Letter and Three DTAG White Papers**

The U.S. Department of State's Directorate of Defense Trade Controls (DDTC) has posted on its website a letter to its Defense Trade Advisory Group requesting that it prepare recommendations on the following subjects:

- Oversight of Unclassified Technical Data
- Mergers, Acquisitions, Divestitures, and Ownership or Control Changes
- Ranking of USML Categories for Future Ongoing Periodic Reviews
- Common Carrier Definition
- Defense Trade between "Five Eyes" Countries, *i.e.*, United States, United Kingdom, Australia, Canada, and New Zealand

In addition, DDTC has posted the following DTAG White Papers:

- Defense Services Working Group White Paper (Final)
- PPE Exemption Working Group White Paper (Final)
- One-Form Electronic Filing WG - White Paper & Attachments

## **2. BIS Modifies Entity List**

(83 Fed. Reg. 37423) - The U.S. Department of Commerce's Bureau of Industry and Security (BIS) has amended EAR Part 744 by adding forty-four entities (eight entities and thirty-six subordinate institutions) to the Entity List. The entities that are being added to the Entity List have been determined by the U.S. Government to be acting contrary to the national security or foreign policy interests of the United States. These entities will be listed on the Entity List under the destination of China. This rule also modifies one entry under China to provide additional addresses and names for the entity at issue.

### **3. U.S. Secretary of Commerce Wilbur Ross Announces Programs to Increase U.S. Commercial Engagement in the Indo-Pacific Region, Adds India to License Exception STA Tier 1 Country List**

Following Secretary of Commerce Wilbur Ross's participation in the Indo-Pacific Business Forum, the Department of Commerce has announced its plan to dedicate three of its upcoming flagship events to Indo-Pacific themes:

- Discover Global Markets (DGM): Indo-Pacific – will take place in Salt Lake City, Utah, December 10-12, 2018 and will highlight opportunities for U.S. exporters in Asia. It will kick-off recruitment for the Trade Winds: India.
- Trade Winds: India – will take place in New Delhi in the spring of 2019. It will be a conference and trade mission to India and other surrounding countries where U.S. exporters will meet with decisionmakers on opportunities they have learned about at DGM and Access Asia events.
- Trade Winds: Hong Kong – intended to take place in Hong Kong in the spring of 2020. It would bring U.S. exporters back to Asia to close deals and explore more opportunities.

Secretary Ross also announced that India's status as a Major Defense Partner will allow it to receive more U.S. high technology and military items without individual export licenses. India will be moved into Tier 1 of the Department of Commerce's Strategic Trade Authorization (STA) license exception. STA Tier 1 treatment, comparable to NATO allies, will expand the scope of exports subject to the Export Administration Regulations (EAR) that can be made to India without individual licenses. This regulatory change will enhance the bilateral defense trade relationship and result in a greater volume of U.S. exports to India. Over the last seven years, approximately \$9.7 billion worth of licensed exports to India may now eligible for export under this license exception.

### **4. OFAC Issues Ukraine-/Russia-Related License**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has issued Ukraine-/Russia-related General License 13C, which replaces and supersedes General License 13B in its entirety. General License 13C extends the expiration date of the general license to 12:01 a.m. October 23, 2018. OFAC is also replacing references to GL 13B in these FAQs with references to GL 13C.

### **5. OFAC Issues Sanctions Against Lashkar-E Tayyiba Financial Facilitators**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has taken action to disrupt Lashkar-e Tayyiba's (LeT) fundraising and support networks by designating

two of the group's financial facilitators, Hameed ul Hassan (Hassan) and Abdul Jabbar (Jabbar), as Specially Designated Global Terrorists (SDGTs) pursuant to Executive Order (E.O.) 13224. OFAC is designating Hassan and Jabbar for acting for or on behalf of Lashkar-e Tayyiba, a terrorist organization based in Pakistan. All property and interests in property of Hassan and Jabbar subject to U.S. jurisdiction are now blocked, and U.S. persons are generally prohibited from engaging in transactions with them. Click here for further identifying information on the individuals that OFAC has designated.

## **6. Pres. Trump Continues National Emergency with respect to Lebanon**

(83 Fed. Reg. 37413) - In accordance with section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)), President Trump is continuing for 1 year the national emergency with respect to Lebanon declared in Executive Order 13441 of August 1, 2007. Click here for general information on the U.S. Government's Lebanon-Related Sanctions Program.

## **7. DoD/DSCA Notifies Congress of possible FMS to Bahrain, Denmark, Kuwait, and The Netherlands**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) as notified the Congress of the following possible Foreign Military Sales:

- The Government of Bahrain has requested to buy twenty-eight (28) TOW Improved Target Acquisition Systems (ITAS) and four (4) TOW Improved Target Acquisition System (ITAS) Floats. Also included are support equipment, government-furnished equipment, technical manuals/publications, spare parts, tool and test equipment, training, U.S. Government technical support/logistical support, contractor technical support, other associated equipment and services, and other related elements of logistics support. The estimated cost is \$80 million. The principal contractor involved in this program is Raytheon Missile Systems (RMS) of McKinney, Texas. There are no known offset agreements proposed in connection with this potential sale.
- The Government of Denmark has requested to buy up to forty-six (46) Standard Missile, SM-2 Block IIIA Vertical Launching Tactical All-Up Rounds, RIM 066M-03-BK IIIA (VLS); up to two (2) Standard Missile, SM-2 Block IIIA Telemetry, Omni-Directional, AllUp Rounds, RIM-066M-03-BK IIIA (VLS); and up to two (2) Standard Missile, SM-2 Block IIIA Telemetry, Omni-Directional Antenna, Warhead Dud Capable, RIM 066M-03-BK IIIA (VLS). Also included are MK 13 MOD 0 Vertical Launching System Canisters, operator manuals and technical documentation, U.S. Government and contractor engineering, technical, and logistics support services, and other related elements of logistics and program support. The total estimated program cost is \$152 million.
- The Government of Kuwait has requested to buy three hundred (300) AGM-114R Hellfire missiles, one (1) Warhead Section Assembly and one (1) Rocket Motor. Also included in the sale are missile containers, nineteen (19) M261 2.75 tube rocket launchers, spare and repair parts, repair tools, personnel training, U.S. Government and contractor engineering, technical and logistical support services and other related elements of logistical and program support. The estimated cost is \$30.4 million. The principal contractor will be Lockheed Martin Corporation, Orlando, Florida. There are no known offset agreements proposed in

connection with this potential sale.

- The Government of The Netherlands has requested to buy one hundred six (106) MK 54 conversion kits. Also included are torpedo containers, Recoverable Exercise Torpedoes (REXTORP) with containers; Fleet Exercise Section (FES) and fuel tanks; air launch accessories for rotary wing aircraft; torpedo launcher interface cabinets; ground handling equipment; torpedo spare parts; training; publications; support and test equipment; U.S. Government and contractor engineering, technical, and logistics support services; and other related elements of logistics and program support. The estimated program value is \$169 million. The principal contractor will be Raytheon Integrated Defense System, Portsmouth, Rhode Island. There are no known offset agreements proposed in connection with this potential sale.

## **8. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) has made the following updates to its Security Assistance Management Manual (SAMM) and Policy Memorandums:

- DSCA Policy Memo 18-37 Decrease to Delivery Term Codes Percentage Rates for "Below-the-Line" Transportation on Foreign Military Sales and Building Partnership Capacity caseshas been posted.

This memo updates Table C9.T4a. Table of Delivery Term Codes and Percentage

## **9. DoD's Special Access Program Central Office Issues Guidance for Access to SAPs**

The U.S. Department of Defense's Special Access Program Central Office has issued guidance for granting access to Special Access Programs.

## **10. President's National Security Telecommunications Advisory Committee to Meet Aug. 15**

(83 Fed. Reg. 37511) - The U.S. Department of Homeland Security's National Protection and Programs Directorate has announced that the Pres.'s National Security Telecommunications Advisory Committee (NSTAC) will meet in open session Wednesday, August 15, 2018, from 1:00 to 2:00 PM EDT, via teleconference. For access to the conference call bridge, information on services for individuals with disabilities, or to request special assistance to participate, please email [NSTAC@hq.dhs.gov](mailto:NSTAC@hq.dhs.gov) by 5:00 PM EDT on Friday, August 10, 2018. The purpose of the conference call is to discuss a potential new study topic regarding advancing resiliency and fostering innovation in the information and communications technology ecosystem. Additionally, the NSTAC will receive an update on the committee's progress on its current Cybersecurity Moonshot study. The goal of this study is to examine and expedite progress against the Nation's critical cybersecurity challenges. The committee has examined various approaches to a Moonshot and is developing recommendations that steer the Administration towards a shared, strategic vision and an ambitious, outcome-focused cybersecurity end goal.

## **11. WTO News**

- WTO ISSUES 2018 EDITIONS OF ITS FLAGSHIP STATISTICAL PUBLICATIONS: The WTO issued today (30 July) the latest editions of its annual statistical publications: World Trade Statistical Review, Trade Profiles and World Tariff Profiles.
- WTO ISSUES PANEL REPORT REGARDING RUSSIAN MEASURES ON UKRAINIAN RAILWAY EQUIPMENT: On 30 July the WTO circulated the panel report in the case brought by Ukraine in "Russia - Measures affecting the importation of railway equipment and parts thereof" (DS499).

## **12. U.S. Customs and U.S. Census/AES Updates**

- U.S. Customs - Notice of Issuance of Final Determination Concerning Subdermal Needle Electrodes - Based upon the facts presented, CBP has concluded that the country of origin of the Subdermal Needle Electrode is the United States or Japan, depending on the country of origin of the needle electrode used in the assembly of the Subdermal Needle Electrode, for purposes of U.S. Government procurement.
- U.S. Customs - COBRA Fees To Be Adjusted for Inflation in Fiscal Year 2019 - CBP is adjusting certain customs user fees and limitations established by the Consolidated Omnibus Budget Reconciliation Act (COBRA) for Fiscal Year 2019 in accordance with the Fixing America's Surface Transportation Act (FAST Act) as implemented by CBP regulations.
- U.S. Customs - CSMS #18-000458 Title: Some ACE entries with FDA data are being rejected erroneously
- U.S. Customs - CSMS #18-000459 Title: RESOLVED - ACE entries with FDA data can be resubmitted
- U.S. Customs - CSMS #18-000460 Title: CBP Client Representatives to Host Webinar for ABI Brokers and Importer Self-Filers
- U.S. Customs - CSMS #18-000464 Title: Updated ABI Software Vendors List
- U.S. Customs - CBP Seizes over \$2 Million Worth of Counterfeit Cartier Love Bracelets in Philadelphia

## **13. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**

- Commerce/E&C - Certain Frozen Warmwater Shrimp From Thailand: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Notice of Court Decisions Not in Harmony With Final Results of Administrative Review and

## Notice of Amended Final Results of Antidumping Duty Administrative Review

- Commerce/E&C - Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Notice of Court Decisions Not in Harmony With Final Results of Administrative Review and Notice of Amended Final Results of Antidumping Duty Administrative Review
- Commerce/E&C - Forged Steel Fittings From Taiwan: Final Determination of Sales at Less Than Fair Value
- Commerce/E&C - Glycine From the People's Republic of China: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Laminated Woven Sacks From the Socialist Republic of Vietnam: Postponement of Preliminary Determination in the Less-Than-Fair-Value Investigation
- Commerce/E&C - Polyester Staple Fiber From the Republic of Korea: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Ripe Olives From Spain: Antidumping Duty Order
- Commerce/E&C - Ripe Olives From Spain: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order
- Commerce/E&C - Stainless Steel Flanges From the People's Republic of China: Antidumping Duty Order
- Commerce/E&C - Steel Propane Cylinders From the People's Republic of China: Postponement of Preliminary Determination in the Countervailing Duty Investigation
- Commerce/E&C - Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Advance Notification of Sunset Review
- Commerce/E&C - Initiation of Five-Year (Sunset) Reviews
- USITC - Certain Clidinium Bromide and Products Containing Same: Commission Decision Not To Review an Initial Determination Granting Complainants' Unopposed Motion To Terminate the Investigation Based on the Withdrawal of the Amended Complaint; Termination of the Investigation
- USITC - Certain Height-Adjustable Desk Platforms and Components Thereof: Institution of Investigation
- USITC - Certain Programmable Logic Controller (PLCs), Components Thereof, and Products Containing Same: Commission Determination Not To Review an Initial Determination Granting a Motion of Non-Party North Coast To Intervene

- USITC - Certain Pasta From Italy and Turkey: Institution of Five-Year Reviews
- USITC - Certain Subsea Telecommunication Systems and Components Thereof: Commission Determination Not To Review an Initial Determination Granting a Motion for Leave To Amend the Complaint and Notice of Investigation To Reflect a Corporate Name Change
- USITC - Certain Water Filters and Components Thereof: Institution of Investigation
- USITC - Stainless Steel Flanges From China: Final Affirmative Material Injury Determination
- USITC - Ripe Olives From Spain: Final Affirmative Material Injury Determinations
- USITC - Government in the Sunshine Act Meeting Notice - Aug. 3, 2018, 11:00 AM

## **14. GAO Reports, Testimony, and Correspondence of Interest**

- DEFENSE CONTRACTS: Improved Information Sharing Could Help DOD Determine Whether Items Are Commercial and Reasonably Priced GAO-18-530: Published: Jul 31, 2018. Publicly Released: Jul 31, 2018.
- MILITARY SPACE SYSTEMS: DOD's Use of Commercial Satellites to Host Defense Payloads Would Benefit from Centralizing Data GAO-18-493: Published: Jul 30, 2018. Publicly Released: Jul 30, 2018.
- FOREIGN MILITARY SALES: Financial Oversight of the Use of Overhead Funds Needs Strengthening GAO-18-553: Published: Jul 30, 2018. Publicly Released: Jul 30, 2018.

## **15. U.S. Government Trade Forms and Other Information Collections Open for Public Comment**

(83 Fed. Reg. 37520) - Agency: U.S. Dept. of Justice/Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) - Title: National Firearms Act Division and Firearms and Explosives Services Division Customer Service Survey - Agency Form No.: None - Type of Review: Revision - Deadline for Public Comment: Aug. 31, 2018

(80 Fed. Reg. 37461) - Agency: U.S. Department of Commerce/Bureau of Economic Analysis (BEA) - Title: Annual Survey of U.S. Direct Investment Abroad - Agency Form No.: BE-11 - Type of Review: Regular submission - Deadline for Public Comment: 30 days from Aug. 1, 2018

(80 Fed. Reg. 37461) - Agency: U.S. Department of Commerce/Bureau of Economic Analysis (BEA) - Title: Annual Survey of Foreign Direct Investment in the United States - Agency Form No.: BE-15 - Type of Review: Regular submission - Deadline for Public Comment: 30 days from Aug. 1, 2018

## **Other Headlines**

## **16. U.S. Eases Export Controls for High-Tech Sales to India: Ross**

Reuters.com, July 30 - The United States has eased export controls for high technology product sales to India, granting it the same access as NATO allies, Australia, Japan and South Korea, U.S. Commerce Secretary Wilbur Ross said on Monday. Ross, speaking at a U.S. Chamber of Commerce event, said the move to grant Strategic Trade Authorization status STA1 to India reflects its efforts to improve its own export-control regime, its adherence to multilateral export rules and its growing status as a U.S. defense partner. "STA1 provides India greater supply chain efficiency, both for defense, and for other high-tech products," Ross said, adding that the elevated status would have affected about \$9.7 billion worth of Indian goods purchases over the past seven years. India's ambassador to the United States, Navtej Sarna, told the same forum the U.S. move was a logical step after the United States designated India a major defense partner in 2016.

## **17. Despite Trump's Rhetoric, U.S. Defense Firms Pitch Moving Production to India**

Breaking Defense.com, July 31 -The Trump administration has cleared the decks for what promises to be a huge increase in technology and weapons exports to India, putting the country on the same footing as members of NATO, and allies like Japan and Australia, when it comes to favored export status. While the new status may pave the way for major U.S. defense firms to lock up multi-billion deals with the Indian government, those deals would likely come with the stipulation that production be moved to India, something American defense giants like Lockheed Martin and Boeing have promised to do, even if it runs counter to the Trump administration's focus on creating more manufacturing jobs at home. Such offsets, as they are known in the arms export business, are a staple of such deals and are a crucial part of negotiations. Commerce Secretary Wilbur Ross made the announcement yesterday as part of the US government's continuing efforts to draw closer to Delhi, partly as a bulwark against Chinese expansionism in the region. Granting India Strategic Trade Authorization status also comes as the Indian military is considering spending tens of billions of dollars on drones, fighters and helicopters made by U.S. defense manufacturers.

## **18. Pentagon Report Will Reveal Military's Dependence on Chinese Components**

Reuters.com, July 27 - An upcoming report on the U.S. military supply chain will show the Pentagon depends on Chinese components for some military equipment, a top Defense Department official said on Friday. The industrial base report will show "there is a large focus on dependency on foreign countries for supply, and China figures very prominently," the Defense Department's chief buyer, Ellen Lord, told reporters in a briefing. She did not provide further detail but said the report is currently in the hands of the White House, and will be published within a month. When published, the report will come amid growing concerns from members of Congress and the U.S. intelligence community that Chinese telecommunications equipment is being used to spy on Americans. It is also the latest example of Pentagon efforts to deal with the military's interactions with Chinese products.

## **19. U.S. Defense Bill Aims to Counter China as Rivalry Deepens**

Wall Street Journal.com, Aug. 1 - Congress is preparing to enact a defense-policy bill that some lawmakers say is tougher on China than any in history, as a bipartisan movement to confront Beijing gathers steam. The measure, an annual policy bill that will authorize \$716 billion in total defense spending for the coming fiscal year, seeks to counter a range of Chinese government policies, including increased military activity in the South China Sea, the pursuit of cutting-edge U.S. technology and the spread of Communist Party propaganda at American institutions. The House of Representatives approved the legislation last week, and President Trump is expected to sign the bill into law after the Senate approves it as soon as Wednesday. This year's National Defense Authorization Act is a reflection of a growing bipartisan consensus in Congress and among national-security officials that the world is entering a new era of great power rivalries in which the U.S. must do more to compete with China and Russia.

## **20. America and the EU Are Both Toughening Up on Foreign Capital**

The Economist, July 26 - "DEAR Donald, let's remember our common history," wrote Jean-Claude Juncker, the president of the European Commission, on a picture of a military cemetery in Europe that he presented to President Donald Trump during talks on July 25th. The reminder of shared values and sacrifices may have helped nudge the two men towards a truce in the incipient transatlantic trade war (see article). That truce will help America and Europe to co-operate on another front. Both suspect that investment from China is a ploy to gain access to advanced technology and undermine domestic security. European officials are thrashing out the details of an EU-wide investment-screening mechanism, proposed by Mr Juncker in 2017. A government white paper on national security and investment published on July 24th suggests that post-Brexit Britain will be no soft touch, either: it was widely seen as intended to increase scrutiny of Chinese buyers. But it is the Trump administration that is moving fastest.

## **21. Iran Woos Local Investors as U.S. Sanctions Loom, Currency Falls**

Reuters.com, July 28 - Iran plans to offer price and tax incentives to private investors to take over idle state projects and help boost the economy, state media reported on Saturday, as the country faces likely U.S. sanctions and the exit of many foreign companies. In May the United States pulled out of a multinational deal to lift sanctions against Iran in return for curbs on its nuclear program, and Washington has told countries they must halt all imports of Iranian oil from Nov. 4 or face U.S. financial measures. The new Iranian plan, along with action against alleged financial crime, appears to be aimed at easing concern over the U.S. decision. The probable return of sanctions has triggered a rapid fall of Iran's currency, protests by bazaar traders usually loyal to the Islamist rulers, and a public outcry over alleged profiteering.

## **22. Sanctions Blamed as Silicon Valley Firms Won't Ship Some Kit to Russia**

Reuters.com, July 27 - Two Silicon Valley firms have stopped shipping some electronic components to Russian customers even though they are not on the list of firms subject to U.S. sanctions, according to sources who work in the sector and a document seen by Reuters. Although Russian companies can find other suppliers, the fact that the U.S. firms turned away Russian business demonstrates the chilling effect that a fresh wave of sanctions

on Russia adopted in the past 18 months is having on the U.S.-Russian technology trade. That sector is especially vulnerable to the effect of sanctions because some of the components are "dual use" -- they could in theory be used in weapons systems -- an area now under especially tough scrutiny in Washington. San Jose, California-based Broadcom has told Bulat, a Russian maker of telecoms equipment, that it would not supply it with printed circuit boards with microprocessors, an official at the Russian trade ministry told Reuters.

## **23. The US Army's Top Modernization Priority Is in Jeopardy**

DefenseNews.com, July 29 - Both congressional authorizers and appropriators have made moves to cut funds for the U.S. Army's top modernization priority — Long-Range Precision Fires — as the service looks to find ways to accelerate the development of a new precision strike missile as part of that effort. The new Precision Strike Missile, or PrSM, is meant to replace the Army Tactical Missile System while providing increased standoff range that will be important in a fight against an adversary that is able to effectively deny access to territory. The service made headway on the PrSM program in 2017, awarding Raytheon and Lockheed Martin a three-year period of performance to design and build missile prototypes in the technology-maturation and risk-reduction, or TMRR, phase. But in the fiscal 2018 budget request, the Army pushed the engineering and manufacturing development phase that follows TMRR back by a year. Both companies have said it's possible to accelerate the program from a fielding timeline of 2027. And with the Army's inception of a new four-star command — the Army Futures Command — which seeks to bring rapidly online modernized capability, the service has been more than open to moving quicker.

## **24. Pentagon Creating Software 'Do Not Buy' List to Keep Out Russia, China**

Reuters.com, July 27 - The Pentagon is working on a software "do not buy" list to block vendors who use software code originating from Russia and China, a top Defense Department acquisitions official said on Friday. Ellen Lord, the under secretary of defense for acquisition and sustainment, told reporters the Pentagon had been working for six months on a "do not buy" list of software vendors. The list is meant to help the Department of Defense's acquisitions staff and industry partners avoid buying problematic code for the Pentagon and suppliers. "What we are doing is making sure that we do not buy software that has Russian or Chinese provenance, for instance, and quite often that's difficult to tell at first glance because of holding companies," she told reporters gathered in a conference room near her Pentagon office. The Pentagon has worked closely with the intelligence community, she said, adding "we have identified certain companies that do not operate in a way consistent with what we have for defense standards."

## **25. From a Space Station in Argentina, China Expands Its Reach in Latin America**

New York Times.com, July 28 - The giant antenna rises from the desert floor like an apparition, a gleaming metal tower jutting 16 stories above an endless wind-whipped stretch of Patagonia. The 450-ton device, with its hulking dish embracing the open skies, is the centerpiece of a \$50 million satellite and space mission control station built by the Chinese military. The isolated base is one of the most striking symbols of Beijing's long push to transform Latin America and shape its future for generations to come — often in ways that

directly undermine the United States' political, economic and strategic power in the region. The station began operating in March, playing a pivotal role in China's audacious expedition to the far side of the moon — an endeavor that Argentine officials say they are elated to support. But the way the base was negotiated — in secret, at a time when Argentina desperately needed investment — and concerns that it could enhance China's intelligence gathering capabilities in the hemisphere have set off a debate in Argentina about the risks and benefits of being pulled into China's orbit.

## **26. On-the-Job Training: A German Export Hit Losing Favour at Home**

Reuters.com, July 27 - Nina Lorea Kley urgently needs young people to train as vehicle builders at her company's factories in northern and eastern Germany. She has enough orders and money to hire 20 this summer but can only find 14. Feldbinder makes 2,000 customised trailers, railway wagons and containers a year but won't be able to keep that up without new recruits, especially because many employees are due to retire in the next few years. "If we don't manage to fill jobs that become free we'll have to think about which orders we can fulfil," said Kley, 41, a managing director at the firm her father co-founded four decades ago. . . . Germany's twin-track vocational training system, which involves up to 3-1/2 years of on-the-job learning in firms alongside theory lessons at vocational school, is credited with giving Germany the European Union's lowest youth jobless rate - 6.8 percent in 2017 against an EU average of 16.8 percent. Widely admired abroad, the training system is being exported in various forms to Europe, Asia, Africa and the United States. But its popularity is waning at home as young people increasingly prefer the higher status of a university degree.

## **27. U.S. Almond Farmers Are Reeling From Chinese Tariffs**

Wall Street Journal.com, July 28 - U.S. almond farmers are getting crunched from all sides as they head into what is likely to be a record harvest season. Prices for California almonds have fallen by more than 10% over the past two months, reflecting expectations for a bumper crop and steep tariffs imposed this year by China, which until recently was the second-largest importer of U.S. almonds after the European Union. In response to China's tariffs, which now add a 50% tax to almond prices, some Chinese businesses say they are trying to buy more nuts grown domestically and from other producers such as those in Australia and Africa. And in yet another setback for U.S. farmers, China has quietly closed a trading loophole that for years allowed large volumes of American almonds to be transported into the country via Vietnam without incurring import taxes. Beijing is also cracking down on commodities that have been illegally smuggled into the country or brought in via transshipments, where they are routed to other countries and then shipped to China.

## **28. The Finance 202: China Has Other Weapons with Which to Punish Trump on Trade**

Washington Post.com, July 31 - The Chinese government is getting creative as it hunts for ways to keep pace with the Trump administration in an escalating trade fight. Beijing is tightening the screws on foreign companies seeking stakes in listed Chinese companies. The government published proposed rules Monday that would subject more would-be investors to a formal national security review. Though the measures would affect all countries, it wouldn't be surprising if they are used to mainly limit American investment in Chinese firms. That move followed China's decision last week to kill Qualcomm's \$44 billion purchase of

Dutch chipmaker NXP — a move observers called retaliation for U.S. tariffs, despite Chinese claims that it was based solely on antitrust concerns. Chinese regulators reviewed the deal because Qualcomm is a major player in the country's semiconductor market, gathering nearly two-thirds of its revenue there last year.

## **29. Steelmaker ArcelorMittal Gains from Tariffs as Prices Rise**

Wall Street Journal.com, Aug. 1 - Luxembourg-listed ArcelorMittal signaled Wednesday it would benefit from U.S. tariffs on steel and aluminum imports that have been an earnings headwinds for many American and foreign manufacturers. The steelmaker posted a 40% rise in second-quarter net profit to \$1.87 billion on sales of \$20 billion Wednesday. U.S. steel and aluminum prices are up around 33% and 11% this year, respectively, which has proved a boon for ArcelorMittal. "We have a strong U.S. exposure [and] clearly we are a net beneficiary of the trade actions," Chief Financial Officer Aditya Mittal said Wednesday.

## **30. France Confirms Fincantieri-STX Shipyard Deal, Cautious on Defense Merger**

Reuters.com, Aug. 1 - France hopes Italian shipbuilder Fincantieri's takeover of STX France will be wrapped up soon, French Finance Minister Bruno Le Maire said on Wednesday, but sounded a more cautious note on any defense naval merger. Speaking in Rome after meeting two Italian ministers, Le Maire said France had not changed its position on the STX deal, quelling concerns the takeover could be hampered by tenser relations with Italy's new anti-establishment government. "Italy and France share the same desire to wrap up the STX-Fincantieri merger, which will produce one of the biggest civilian shipbuilders in the world," Le Maire told reporters after talks with his Italian counterpart Giovanni Tria and Deputy Prime Minister Luigi Di Maio.

## **31. Opinion: 3D-Printed Guns Were Always Going to Be Legal**

Washington Examiner.com, July 29 - It's entirely fair to claim or insist that 3D printing of guns is going to lead to more than the occasional problems of untraceability. That is indeed the claim being made by various gun control groups. Depending upon your Second Amendment views, you can view the ability to download plans and instructions as a good or a bad thing. But it was always obvious to me that courts would rule only one way – it's legal, entirely so. Americans are pretty much allowed to say what they like without prior restraint. Sure, there are laws about what you cannot say (libel, incitement to immediate violence, and the like), but they're always applied afterwards. Anyone wanting to attribute blame or responsibility to those who post gun designs online will be equally able to do so. So, people can post such designs, and people can download them. What happens next, well, free speech is part of that tree of liberty that must occasionally be watered with blood. The case against people being able to do so was never actually, in law at least, about Americans being able to do that in America. It was about the export of such designs, and here, the law is more than a little hinky. I'm surprised Snopes hasn't quite got it right, to be honest.

## **32. Viewpoint: DoD's Digital Engineering Strategy Has Far-Reaching Implications**

National Defense Magazine.org, July 31 - Early in July, the Department of Defense released its "Digital Engineering Strategy" to help the four services understand approaches for using

digital engineering for product development and acquisition. The document, released by Undersecretary of Defense for Research and Engineering Michael Griffin, outlined the department's strategic goals for digital engineering. According to the strategy, they are:

- Formalize the development, integration and use of models to inform enterprise and program decision-making
- Provide an enduring, authoritative source of truth
- Incorporate technological innovation to improve the engineering practice
- Establish a supporting infrastructure and environment to perform activities, collaborate and communicate across stakeholders
- Transform the culture and workforce to adopt and support digital engineering across the lifecycle

A hallmark of modern, innovative industries is that they think digitally. They recognize that technology galvanizes different ways of thinking, and therefore doing. Digital twin, or digital thread, are terms being used to describe engineering in a digital environment through modeling and simulation.

## **Upcoming Export Control and Other Trade Compliance Conferences - NEW EVENT ADDED!**

**July 30-31 - National Customs Brokers & Forwarders Association of America, Inc. -  
GTEC - Global Trade Educational Conference 2018 - Dallas - Hilton Dallas Lincoln  
Center**

**Aug. 14-15 - U.S. Dept. of Homeland Security/U.S. Customs and Border Protection  
(CBP) - 2018 Trade Symposium - Atlanta - Marriott Marquis Hotel**

**Aug. 14-15 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and  
Professional Association of Exporters and Importers - Complying with U.S. Export  
Controls - Milpitas, California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Aug. 16 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and  
Professional Association of Exporters and Importers - Encryption Controls - Milpitas,  
California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Sept. 5 - IDEEA, Inc. - ComDef 2018 - Washington, DC - National Press Club - Gary  
Stanley, *Editor of Defense and Export-Import Update*, will again moderate the panel  
"Export Control Update" at this annual conference for the defense industry.**

**NEW - Sept. 5 - American Bar Association/Section of International Law/Export  
Controls & Economic Sanctions Committee - Global Operators: Cyber Hacking and  
Attribution - 2:00 - 4:00 PM EDT - American Bar Association, 250 Connecticut Ave.,  
N.W., Suite 570 - Teleconference Option Available!**

**Sept. 12-13 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) -  
Complying with U.S. Export Controls - Smithfield, Rhode Island - Bryant University,  
1150 Douglas Pike**

**Sept. 13-17 - International Compliance Professionals Association (ICPA) -2018  
ICPA@SEA - Galveston, TX to Cozumel**

**Sept. 19-20 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) &  
Southern California District Export Council - Complying with U.S. Export Controls, LA  
2018 - Los Angeles - Westin Los Angeles Airport Hotel**

**Sept. 19-20 - SMi Group - Defence Exports 2018 - Rome - Crowne Plaza Rome St.  
Peter's Hotel & Spa - Gary Stanley, *Editor of Defense and Export-Import Update*, is  
proud to be once again chairing this event and conducting a related Sept. 18 workshop  
on "Jurisdiction, Classification, and Licensing: How to Police Your U.S. Suppliers"**

**Sept. 25-26 - American Conference Institute - 11th West Coast Conference on FCPA  
Enforcement and Compliance - San Francisco - Marines' Memorial Club and Hotel**

**Sept. 25-26 - American Conference Institute - 4th Canadian Forum on Global Economic Sanctions Compliance & Enforcement - Toronto**

**Sept. 28 - Society for International Affairs - 2018 Fall Golf Outing - Woodbridge, Virginia - Old Hickory Golf Club**

**Oct. 1 - Chatham House (The Royal Institute of International Affairs) - Illicit Financial Flows 2018 - London - 10 St James's Square London SW1Y 4LE**

**Oct. 16-18 - Partnerships International, inc. - "Partnering for Compliance™" West 2018 - Fort Worth - Dallas-Fort Worth Marriott South Airport Hotel**

**Oct. 21-23 - International Compliance Professionals Association (ICPA) - 2018 ICPA Fall Conference - Grapevine, TX - Embassy Suites DFW Airport North**

**Oct. 22-23 - Society for International Affairs - 2018 Fall Advanced Conference - Arlington, Virginia - Crystal Gateway Marriott Hotel**

**Oct. 30 - American Conference Institute - 4th Asia Pacific Economic Sanctions Compliance and Enforcement - Singapore - Marriott Singapore Tang Plaza Hotel**

**Oct. 31 - Nov. 1 - American Conference Institute - 7th Asia Pacific Summit on Anti-Corruption Compliance and Risk Management - Singapore - Marriott Singapore Tang Plaza Hotel**

**Nov. 8-9 - International Compliance Professionals Association (ICPA) - 2018 Annual China Conference - Shanghai - Four Seasons Hotel**

**Nov. 27-30 - American Conference Institute - 35th International Conference on the Foreign Corrupt Practices Act - Washington, DC - Gaylord National Resort & Convention Center**

**Dec. 7 - Society for International Affairs - 2018 Holiday Party - Washington, DC - Nationals Park, 1500 South Capitol St., S.E.**

**March 4-6 - Society for International Affairs - 2019 Winter Back to Basics Conference - Savannah, Georgia - Savannah Marriott Riverfront Hotel**

**March 24-27 - International Compliance Professionals Association (ICPA) - 2019 ICPA Annual Conference - Orlando, Florida - Disney Coronado Springs Resort**

**May 15-17 - International Compliance Professionals Association (ICPA) - 2019 ICPA Canada Conference - Toronto - Hyatt Regency Toronto Hotel**

We hope this update proves helpful. If you have questions about any of these developments, please do not hesitate to call us. If you received this free newsletter from a colleague or friend and would like to subscribe directly, please just e-mail your name, title, company, and e-mail address to [REDACTED]@glstrade.com.

Cordially yours,

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**From:** Gary Stanley [REDACTED]@glstrade.com]  
**Sent:** 8/1/2018 3:59:04 PM  
**To:** John Sonderman [John.Sonderman@bis.doc.gov]  
**Subject:** Defense and Export-Import Update (Aug. 1, 2018)

**Dear All,**

**Good Day!**

**Gary Stanley's EC Tip of the Day: Notwithstanding the other provisions in ITAR Part 124, the Directorate of Defense Trade Controls may authorize by means of a license (DSP-5) the export of unclassified technical data to foreign persons for offshore procurement of defense articles. See ITAR § 124.13 for the multiple conditions that an exporter must satisfy to use a DSP-5 license for such offshore procurement purposes.**

**Today's Items:**

- 1. DDTC Posts DTAG Tasking Letter and Three DTAG White Papers**
- 2. BIS Modifies Entity List**
- 3. U.S. Secretary of Commerce Wilbur Ross Announces Programs to Increase U.S. Commercial Engagement in the Indo-Pacific Region, Adds India to License Exception STA Tier 1 Country List**
- 4. OFAC Issues Ukraine-/Russia-Related License**
- 5. OFAC Issues Sanctions Against Lashkar-E Tayyiba Financial Facilitators**
- 6. Pres. Trump Continues National Emergency with respect to Lebanon**
- 7. DoD/DSCA Notifies Congress of possible FMS to Bahrain, Denmark, Kuwait, and The Netherlands**
- 8. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**
- 9. DoD's Special Access Program Central Office Issues Guidance for Access to SAPs**
- 10. President's National Security Telecommunications Advisory Committee to Meet Aug. 15**
- 11. WTO News**
- 12. U.S. Customs and U.S. Census/AES Updates**
- 13. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**
- 14. GAO Reports, Testimony, and Correspondence of Interest**
- 15. U.S. Government Trade Forms and Other Information Collections Open for Public Comment**

**Other Headlines**

- 16. U.S. Eases Export Controls for High-Tech Sales to India: Ross**
- 17. Despite Trump's Rhetoric, U.S. Defense Firms Pitch Moving Production to India**
- 18. Pentagon Report Will Reveal Military's Dependence on Chinese Components**
- 19. U.S. Defense Bill Aims to Counter China as Rivalry Deepens**
- 20. America and the EU Are Both Toughening Up on Foreign Capital**

- 21. Iran Woos Local Investors as U.S. Sanctions Loom, Currency Falls**
- 22. Sanctions Blamed as Silicon Valley Firms Won't Ship Some Kit to Russia**
- 23. The US Army's Top Modernization Priority Is in Jeopardy**
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- 32. Viewpoint: DoD's Digital Engineering Strategy Has Far-Reaching Implications**

**Upcoming Export Control and Other Trade Compliance Conferences - *NEW EVENT ADDED!***

## **1. DDTC Posts DTAG Tasking Letter and Three DTAG White Papers**

The U.S. Department of State's Directorate of Defense Trade Controls (DDTC) has posted on its website a letter to its Defense Trade Advisory Group requesting that it prepare recommendations on the following subjects:

- Oversight of Unclassified Technical Data
- Mergers, Acquisitions, Divestitures, and Ownership or Control Changes
- Ranking of USML Categories for Future Ongoing Periodic Reviews
- Common Carrier Definition
- Defense Trade between "Five Eyes" Countries, *i.e.*, United States, United Kingdom, Australia, Canada, and New Zealand

In addition, DDTC has posted the following DTAG White Papers:

- Defense Services Working Group White Paper (Final)
- PPE Exemption Working Group White Paper (Final)
- One-Form Electronic Filing WG - White Paper & Attachments

## **2. BIS Modifies Entity List**

(83 Fed. Reg. 37423) - The U.S. Department of Commerce's Bureau of Industry and Security (BIS) has amended EAR Part 744 by adding forty-four entities (eight entities and thirty-six subordinate institutions) to the Entity List. The entities that are being added to the Entity List have been determined by the U.S. Government to be acting contrary to the national security or foreign policy interests of the United States. These entities will be listed on the Entity List under the destination of China. This rule also modifies one entry under China to provide additional addresses and names for the entity at issue.

### **3. U.S. Secretary of Commerce Wilbur Ross Announces Programs to Increase U.S. Commercial Engagement in the Indo-Pacific Region, Adds India to License Exception STA Tier 1 Country List**

Following Secretary of Commerce Wilbur Ross's participation in the Indo-Pacific Business Forum, the Department of Commerce has announced its plan to dedicate three of its upcoming flagship events to Indo-Pacific themes:

- Discover Global Markets (DGM): Indo-Pacific – will take place in Salt Lake City, Utah, December 10-12, 2018 and will highlight opportunities for U.S. exporters in Asia. It will kick-off recruitment for the Trade Winds: India.
- Trade Winds: India – will take place in New Delhi in the spring of 2019. It will be a conference and trade mission to India and other surrounding countries where U.S. exporters will meet with decisionmakers on opportunities they have learned about at DGM and Access Asia events.
- Trade Winds: Hong Kong – intended to take place in Hong Kong in the spring of 2020. It would bring U.S. exporters back to Asia to close deals and explore more opportunities.

Secretary Ross also announced that India's status as a Major Defense Partner will allow it to receive more U.S. high technology and military items without individual export licenses. India will be moved into Tier 1 of the Department of Commerce's Strategic Trade Authorization (STA) license exception. STA Tier 1 treatment, comparable to NATO allies, will expand the scope of exports subject to the Export Administration Regulations (EAR) that can be made to India without individual licenses. This regulatory change will enhance the bilateral defense trade relationship and result in a greater volume of U.S. exports to India. Over the last seven years, approximately \$9.7 billion worth of licensed exports to India may now eligible for export under this license exception.

### **4. OFAC Issues Ukraine-/Russia-Related License**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has issued Ukraine-/Russia-related General License 13C, which replaces and supersedes General License 13B in its entirety. General License 13C extends the expiration date of the general license to 12:01 a.m. October 23, 2018. OFAC is also replacing references to GL 13B in these FAQs with references to GL 13C.

### **5. OFAC Issues Sanctions Against Lashkar-E Tayyiba Financial Facilitators**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has taken action to disrupt Lashkar-e Tayyiba's (LeT) fundraising and support networks by designating

two of the group's financial facilitators, Hameed ul Hassan (Hassan) and Abdul Jabbar (Jabbar), as Specially Designated Global Terrorists (SDGTs) pursuant to Executive Order (E.O.) 13224. OFAC is designating Hassan and Jabbar for acting for or on behalf of Lashkar-e Tayyiba, a terrorist organization based in Pakistan. All property and interests in property of Hassan and Jabbar subject to U.S. jurisdiction are now blocked, and U.S. persons are generally prohibited from engaging in transactions with them. Click here for further identifying information on the individuals that OFAC has designated.

## **6. Pres. Trump Continues National Emergency with respect to Lebanon**

(83 Fed. Reg. 37413) - In accordance with section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)), President Trump is continuing for 1 year the national emergency with respect to Lebanon declared in Executive Order 13441 of August 1, 2007. Click here for general information on the U.S. Government's Lebanon-Related Sanctions Program.

## **7. DoD/DSCA Notifies Congress of possible FMS to Bahrain, Denmark, Kuwait, and The Netherlands**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) as notified the Congress of the following possible Foreign Military Sales:

- The Government of Bahrain has requested to buy twenty-eight (28) TOW Improved Target Acquisition Systems (ITAS) and four (4) TOW Improved Target Acquisition System (ITAS) Floats. Also included are support equipment, government-furnished equipment, technical manuals/publications, spare parts, tool and test equipment, training, U.S. Government technical support/logistical support, contractor technical support, other associated equipment and services, and other related elements of logistics support. The estimated cost is \$80 million. The principal contractor involved in this program is Raytheon Missile Systems (RMS) of McKinney, Texas. There are no known offset agreements proposed in connection with this potential sale.
- The Government of Denmark has requested to buy up to forty-six (46) Standard Missile, SM-2 Block IIIA Vertical Launching Tactical All-Up Rounds, RIM 066M-03-BK IIIA (VLS); up to two (2) Standard Missile, SM-2 Block IIIA Telemetry, Omni-Directional, AllUp Rounds, RIM-066M-03-BK IIIA (VLS); and up to two (2) Standard Missile, SM-2 Block IIIA Telemetry, Omni-Directional Antenna, Warhead Dud Capable, RIM 066M-03-BK IIIA (VLS). Also included are MK 13 MOD 0 Vertical Launching System Canisters, operator manuals and technical documentation, U.S. Government and contractor engineering, technical, and logistics support services, and other related elements of logistics and program support. The total estimated program cost is \$152 million.
- The Government of Kuwait has requested to buy three hundred (300) AGM-114R Hellfire missiles, one (1) Warhead Section Assembly and one (1) Rocket Motor. Also included in the sale are missile containers, nineteen (19) M261 2.75 tube rocket launchers, spare and repair parts, repair tools, personnel training, U.S. Government and contractor engineering, technical and logistical support services and other related elements of logistical and program support. The estimated cost is \$30.4 million. The principal contractor will be Lockheed Martin Corporation, Orlando, Florida. There are no known offset agreements proposed in

connection with this potential sale.

- The Government of The Netherlands has requested to buy one hundred six (106) MK 54 conversion kits. Also included are torpedo containers, Recoverable Exercise Torpedoes (REXTORP) with containers; Fleet Exercise Section (FES) and fuel tanks; air launch accessories for rotary wing aircraft; torpedo launcher interface cabinets; ground handling equipment; torpedo spare parts; training; publications; support and test equipment; U.S. Government and contractor engineering, technical, and logistics support services; and other related elements of logistics and program support. The estimated program value is \$169 million. The principal contractor will be Raytheon Integrated Defense System, Portsmouth, Rhode Island. There are no known offset agreements proposed in connection with this potential sale.

## **8. DoD/DSCA Updates Security Assistance Management Manual and Policy Memos**

The U.S. Department of Defense's Defense Security Cooperation Agency (DSCA) has made the following updates to its Security Assistance Management Manual (SAMM) and Policy Memorandums:

- DSCA Policy Memo 18-37 Decrease to Delivery Term Codes Percentage Rates for "Below-the-Line" Transportation on Foreign Military Sales and Building Partnership Capacity caseshas been posted.

This memo updates Table C9.T4a. Table of Delivery Term Codes and Percentage

## **9. DoD's Special Access Program Central Office Issues Guidance for Access to SAPs**

The U.S. Department of Defense's Special Access Program Central Office has issued guidance for granting access to Special Access Programs.

## **10. President's National Security Telecommunications Advisory Committee to Meet Aug. 15**

(83 Fed. Reg. 37511) - The U.S. Department of Homeland Security's National Protection and Programs Directorate has announced that the Pres.'s National Security Telecommunications Advisory Committee (NSTAC) will meet in open session Wednesday, August 15, 2018, from 1:00 to 2:00 PM EDT, via teleconference. For access to the conference call bridge, information on services for individuals with disabilities, or to request special assistance to participate, please email [NSTAC@hq.dhs.gov](mailto:NSTAC@hq.dhs.gov) by 5:00 PM EDT on Friday, August 10, 2018. The purpose of the conference call is to discuss a potential new study topic regarding advancing resiliency and fostering innovation in the information and communications technology ecosystem. Additionally, the NSTAC will receive an update on the committee's progress on its current Cybersecurity Moonshot study. The goal of this study is to examine and expedite progress against the Nation's critical cybersecurity challenges. The committee has examined various approaches to a Moonshot and is developing recommendations that steer the Administration towards a shared, strategic vision and an ambitious, outcome-focused cybersecurity end goal.

## **11. WTO News**

- WTO ISSUES 2018 EDITIONS OF ITS FLAGSHIP STATISTICAL PUBLICATIONS: The WTO issued today (30 July) the latest editions of its annual statistical publications: World Trade Statistical Review, Trade Profiles and World Tariff Profiles.
- WTO ISSUES PANEL REPORT REGARDING RUSSIAN MEASURES ON UKRAINIAN RAILWAY EQUIPMENT: On 30 July the WTO circulated the panel report in the case brought by Ukraine in "Russia - Measures affecting the importation of railway equipment and parts thereof" (DS499).

## **12. U.S. Customs and U.S. Census/AES Updates**

- U.S. Customs - Notice of Issuance of Final Determination Concerning Subdermal Needle Electrodes - Based upon the facts presented, CBP has concluded that the country of origin of the Subdermal Needle Electrode is the United States or Japan, depending on the country of origin of the needle electrode used in the assembly of the Subdermal Needle Electrode, for purposes of U.S. Government procurement.
- U.S. Customs - COBRA Fees To Be Adjusted for Inflation in Fiscal Year 2019 - CBP is adjusting certain customs user fees and limitations established by the Consolidated Omnibus Budget Reconciliation Act (COBRA) for Fiscal Year 2019 in accordance with the Fixing America's Surface Transportation Act (FAST Act) as implemented by CBP regulations.
- U.S. Customs - CSMS #18-000458 Title: Some ACE entries with FDA data are being rejected erroneously
- U.S. Customs - CSMS #18-000459 Title: RESOLVED - ACE entries with FDA data can be resubmitted
- U.S. Customs - CSMS #18-000460 Title: CBP Client Representatives to Host Webinar for ABI Brokers and Importer Self-Filers
- U.S. Customs - CSMS #18-000464 Title: Updated ABI Software Vendors List
- U.S. Customs - CBP Seizes over \$2 Million Worth of Counterfeit Cartier Love Bracelets in Philadelphia

## **13. Commerce/Enforcement and Compliance and U.S. International Trade Commission Actions and Votes**

- Commerce/E&C - Certain Frozen Warmwater Shrimp From Thailand: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Notice of Court Decisions Not in Harmony With Final Results of Administrative Review and

## Notice of Amended Final Results of Antidumping Duty Administrative Review

- Commerce/E&C - Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Notice of Court Decisions Not in Harmony With Final Results of Administrative Review and Notice of Amended Final Results of Antidumping Duty Administrative Review
- Commerce/E&C - Forged Steel Fittings From Taiwan: Final Determination of Sales at Less Than Fair Value
- Commerce/E&C - Glycine From the People's Republic of China: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Laminated Woven Sacks From the Socialist Republic of Vietnam: Postponement of Preliminary Determination in the Less-Than-Fair-Value Investigation
- Commerce/E&C - Polyester Staple Fiber From the Republic of Korea: Rescission of Antidumping Duty Administrative Review; 2017-2018
- Commerce/E&C - Ripe Olives From Spain: Antidumping Duty Order
- Commerce/E&C - Ripe Olives From Spain: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order
- Commerce/E&C - Stainless Steel Flanges From the People's Republic of China: Antidumping Duty Order
- Commerce/E&C - Steel Propane Cylinders From the People's Republic of China: Postponement of Preliminary Determination in the Countervailing Duty Investigation
- Commerce/E&C - Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Advance Notification of Sunset Review
- Commerce/E&C - Initiation of Five-Year (Sunset) Reviews
- USITC - Certain Clidinium Bromide and Products Containing Same: Commission Decision Not To Review an Initial Determination Granting Complainants' Unopposed Motion To Terminate the Investigation Based on the Withdrawal of the Amended Complaint; Termination of the Investigation
- USITC - Certain Height-Adjustable Desk Platforms and Components Thereof: Institution of Investigation
- USITC - Certain Programmable Logic Controller (PLCs), Components Thereof, and Products Containing Same: Commission Determination Not To Review an Initial Determination Granting a Motion of Non-Party North Coast To Intervene

- USITC - Certain Pasta From Italy and Turkey: Institution of Five-Year Reviews
- USITC - Certain Subsea Telecommunication Systems and Components Thereof: Commission Determination Not To Review an Initial Determination Granting a Motion for Leave To Amend the Complaint and Notice of Investigation To Reflect a Corporate Name Change
- USITC - Certain Water Filters and Components Thereof: Institution of Investigation
- USITC - Stainless Steel Flanges From China: Final Affirmative Material Injury Determination
- USITC - Ripe Olives From Spain: Final Affirmative Material Injury Determinations
- USITC - Government in the Sunshine Act Meeting Notice - Aug. 3, 2018, 11:00 AM

## **14. GAO Reports, Testimony, and Correspondence of Interest**

- DEFENSE CONTRACTS: Improved Information Sharing Could Help DOD Determine Whether Items Are Commercial and Reasonably Priced GAO-18-530: Published: Jul 31, 2018. Publicly Released: Jul 31, 2018.
- MILITARY SPACE SYSTEMS: DOD's Use of Commercial Satellites to Host Defense Payloads Would Benefit from Centralizing Data GAO-18-493: Published: Jul 30, 2018. Publicly Released: Jul 30, 2018.
- FOREIGN MILITARY SALES: Financial Oversight of the Use of Overhead Funds Needs Strengthening GAO-18-553: Published: Jul 30, 2018. Publicly Released: Jul 30, 2018.

## **15. U.S. Government Trade Forms and Other Information Collections Open for Public Comment**

(83 Fed. Reg. 37520) - Agency: U.S. Dept. of Justice/Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) - Title: National Firearms Act Division and Firearms and Explosives Services Division Customer Service Survey - Agency Form No.: None - Type of Review: Revision - Deadline for Public Comment: Aug. 31, 2018

(80 Fed. Reg. 37461) - Agency: U.S. Department of Commerce/Bureau of Economic Analysis (BEA) - Title: Annual Survey of U.S. Direct Investment Abroad - Agency Form No.: BE-11 - Type of Review: Regular submission - Deadline for Public Comment: 30 days from Aug. 1, 2018

(80 Fed. Reg. 37461) - Agency: U.S. Department of Commerce/Bureau of Economic Analysis (BEA) - Title: Annual Survey of Foreign Direct Investment in the United States - Agency Form No.: BE-15 - Type of Review: Regular submission - Deadline for Public Comment: 30 days from Aug. 1, 2018

## **Other Headlines**

## **16. U.S. Eases Export Controls for High-Tech Sales to India: Ross**

Reuters.com, July 30 - The United States has eased export controls for high technology product sales to India, granting it the same access as NATO allies, Australia, Japan and South Korea, U.S. Commerce Secretary Wilbur Ross said on Monday. Ross, speaking at a U.S. Chamber of Commerce event, said the move to grant Strategic Trade Authorization status STA1 to India reflects its efforts to improve its own export-control regime, its adherence to multilateral export rules and its growing status as a U.S. defense partner. "STA1 provides India greater supply chain efficiency, both for defense, and for other high-tech products," Ross said, adding that the elevated status would have affected about \$9.7 billion worth of Indian goods purchases over the past seven years. India's ambassador to the United States, Navtej Sarna, told the same forum the U.S. move was a logical step after the United States designated India a major defense partner in 2016.

## **17. Despite Trump's Rhetoric, U.S. Defense Firms Pitch Moving Production to India**

Breaking Defense.com, July 31 -The Trump administration has cleared the decks for what promises to be a huge increase in technology and weapons exports to India, putting the country on the same footing as members of NATO, and allies like Japan and Australia, when it comes to favored export status. While the new status may pave the way for major U.S. defense firms to lock up multi-billion deals with the Indian government, those deals would likely come with the stipulation that production be moved to India, something American defense giants like Lockheed Martin and Boeing have promised to do, even if it runs counter to the Trump administration's focus on creating more manufacturing jobs at home. Such offsets, as they are known in the arms export business, are a staple of such deals and are a crucial part of negotiations. Commerce Secretary Wilbur Ross made the announcement yesterday as part of the US government's continuing efforts to draw closer to Delhi, partly as a bulwark against Chinese expansionism in the region. Granting India Strategic Trade Authorization status also comes as the Indian military is considering spending tens of billions of dollars on drones, fighters and helicopters made by U.S. defense manufacturers.

## **18. Pentagon Report Will Reveal Military's Dependence on Chinese Components**

Reuters.com, July 27 - An upcoming report on the U.S. military supply chain will show the Pentagon depends on Chinese components for some military equipment, a top Defense Department official said on Friday. The industrial base report will show "there is a large focus on dependency on foreign countries for supply, and China figures very prominently," the Defense Department's chief buyer, Ellen Lord, told reporters in a briefing. She did not provide further detail but said the report is currently in the hands of the White House, and will be published within a month. When published, the report will come amid growing concerns from members of Congress and the U.S. intelligence community that Chinese telecommunications equipment is being used to spy on Americans. It is also the latest example of Pentagon efforts to deal with the military's interactions with Chinese products.

## **19. U.S. Defense Bill Aims to Counter China as Rivalry Deepens**

Wall Street Journal.com, Aug. 1 - Congress is preparing to enact a defense-policy bill that some lawmakers say is tougher on China than any in history, as a bipartisan movement to confront Beijing gathers steam. The measure, an annual policy bill that will authorize \$716 billion in total defense spending for the coming fiscal year, seeks to counter a range of Chinese government policies, including increased military activity in the South China Sea, the pursuit of cutting-edge U.S. technology and the spread of Communist Party propaganda at American institutions. The House of Representatives approved the legislation last week, and President Trump is expected to sign the bill into law after the Senate approves it as soon as Wednesday. This year's National Defense Authorization Act is a reflection of a growing bipartisan consensus in Congress and among national-security officials that the world is entering a new era of great power rivalries in which the U.S. must do more to compete with China and Russia.

## **20. America and the EU Are Both Toughening Up on Foreign Capital**

The Economist, July 26 - "DEAR Donald, let's remember our common history," wrote Jean-Claude Juncker, the president of the European Commission, on a picture of a military cemetery in Europe that he presented to President Donald Trump during talks on July 25th. The reminder of shared values and sacrifices may have helped nudge the two men towards a truce in the incipient transatlantic trade war (see article). That truce will help America and Europe to co-operate on another front. Both suspect that investment from China is a ploy to gain access to advanced technology and undermine domestic security. European officials are thrashing out the details of an EU-wide investment-screening mechanism, proposed by Mr Juncker in 2017. A government white paper on national security and investment published on July 24th suggests that post-Brexit Britain will be no soft touch, either: it was widely seen as intended to increase scrutiny of Chinese buyers. But it is the Trump administration that is moving fastest.

## **21. Iran Woos Local Investors as U.S. Sanctions Loom, Currency Falls**

Reuters.com, July 28 - Iran plans to offer price and tax incentives to private investors to take over idle state projects and help boost the economy, state media reported on Saturday, as the country faces likely U.S. sanctions and the exit of many foreign companies. In May the United States pulled out of a multinational deal to lift sanctions against Iran in return for curbs on its nuclear program, and Washington has told countries they must halt all imports of Iranian oil from Nov. 4 or face U.S. financial measures. The new Iranian plan, along with action against alleged financial crime, appears to be aimed at easing concern over the U.S. decision. The probable return of sanctions has triggered a rapid fall of Iran's currency, protests by bazaar traders usually loyal to the Islamist rulers, and a public outcry over alleged profiteering.

## **22. Sanctions Blamed as Silicon Valley Firms Won't Ship Some Kit to Russia**

Reuters.com, July 27 - Two Silicon Valley firms have stopped shipping some electronic components to Russian customers even though they are not on the list of firms subject to U.S. sanctions, according to sources who work in the sector and a document seen by Reuters. Although Russian companies can find other suppliers, the fact that the U.S. firms turned away Russian business demonstrates the chilling effect that a fresh wave of sanctions

on Russia adopted in the past 18 months is having on the U.S.-Russian technology trade. That sector is especially vulnerable to the effect of sanctions because some of the components are "dual use" -- they could in theory be used in weapons systems -- an area now under especially tough scrutiny in Washington. San Jose, California-based Broadcom has told Bulat, a Russian maker of telecoms equipment, that it would not supply it with printed circuit boards with microprocessors, an official at the Russian trade ministry told Reuters.

## **23. The US Army's Top Modernization Priority Is in Jeopardy**

DefenseNews.com, July 29 - Both congressional authorizers and appropriators have made moves to cut funds for the U.S. Army's top modernization priority — Long-Range Precision Fires — as the service looks to find ways to accelerate the development of a new precision strike missile as part of that effort. The new Precision Strike Missile, or PrSM, is meant to replace the Army Tactical Missile System while providing increased standoff range that will be important in a fight against an adversary that is able to effectively deny access to territory. The service made headway on the PrSM program in 2017, awarding Raytheon and Lockheed Martin a three-year period of performance to design and build missile prototypes in the technology-maturation and risk-reduction, or TMRR, phase. But in the fiscal 2018 budget request, the Army pushed the engineering and manufacturing development phase that follows TMRR back by a year. Both companies have said it's possible to accelerate the program from a fielding timeline of 2027. And with the Army's inception of a new four-star command — the Army Futures Command — which seeks to bring rapidly online modernized capability, the service has been more than open to moving quicker.

## **24. Pentagon Creating Software 'Do Not Buy' List to Keep Out Russia, China**

Reuters.com, July 27 - The Pentagon is working on a software "do not buy" list to block vendors who use software code originating from Russia and China, a top Defense Department acquisitions official said on Friday. Ellen Lord, the under secretary of defense for acquisition and sustainment, told reporters the Pentagon had been working for six months on a "do not buy" list of software vendors. The list is meant to help the Department of Defense's acquisitions staff and industry partners avoid buying problematic code for the Pentagon and suppliers. "What we are doing is making sure that we do not buy software that has Russian or Chinese provenance, for instance, and quite often that's difficult to tell at first glance because of holding companies," she told reporters gathered in a conference room near her Pentagon office. The Pentagon has worked closely with the intelligence community, she said, adding "we have identified certain companies that do not operate in a way consistent with what we have for defense standards."

## **25. From a Space Station in Argentina, China Expands Its Reach in Latin America**

New York Times.com, July 28 - The giant antenna rises from the desert floor like an apparition, a gleaming metal tower jutting 16 stories above an endless wind-whipped stretch of Patagonia. The 450-ton device, with its hulking dish embracing the open skies, is the centerpiece of a \$50 million satellite and space mission control station built by the Chinese military. The isolated base is one of the most striking symbols of Beijing's long push to transform Latin America and shape its future for generations to come — often in ways that

directly undermine the United States' political, economic and strategic power in the region. The station began operating in March, playing a pivotal role in China's audacious expedition to the far side of the moon — an endeavor that Argentine officials say they are elated to support. But the way the base was negotiated — in secret, at a time when Argentina desperately needed investment — and concerns that it could enhance China's intelligence gathering capabilities in the hemisphere have set off a debate in Argentina about the risks and benefits of being pulled into China's orbit.

## **26. On-the-Job Training: A German Export Hit Losing Favour at Home**

Reuters.com, July 27 - Nina Lorea Kley urgently needs young people to train as vehicle builders at her company's factories in northern and eastern Germany. She has enough orders and money to hire 20 this summer but can only find 14. Feldbinder makes 2,000 customised trailers, railway wagons and containers a year but won't be able to keep that up without new recruits, especially because many employees are due to retire in the next few years. "If we don't manage to fill jobs that become free we'll have to think about which orders we can fulfil," said Kley, 41, a managing director at the firm her father co-founded four decades ago. . . . Germany's twin-track vocational training system, which involves up to 3-1/2 years of on-the-job learning in firms alongside theory lessons at vocational school, is credited with giving Germany the European Union's lowest youth jobless rate - 6.8 percent in 2017 against an EU average of 16.8 percent. Widely admired abroad, the training system is being exported in various forms to Europe, Asia, Africa and the United States. But its popularity is waning at home as young people increasingly prefer the higher status of a university degree.

## **27. U.S. Almond Farmers Are Reeling From Chinese Tariffs**

Wall Street Journal.com, July 28 - U.S. almond farmers are getting crunched from all sides as they head into what is likely to be a record harvest season. Prices for California almonds have fallen by more than 10% over the past two months, reflecting expectations for a bumper crop and steep tariffs imposed this year by China, which until recently was the second-largest importer of U.S. almonds after the European Union. In response to China's tariffs, which now add a 50% tax to almond prices, some Chinese businesses say they are trying to buy more nuts grown domestically and from other producers such as those in Australia and Africa. And in yet another setback for U.S. farmers, China has quietly closed a trading loophole that for years allowed large volumes of American almonds to be transported into the country via Vietnam without incurring import taxes. Beijing is also cracking down on commodities that have been illegally smuggled into the country or brought in via transshipments, where they are routed to other countries and then shipped to China.

## **28. The Finance 202: China Has Other Weapons with Which to Punish Trump on Trade**

Washington Post.com, July 31 - The Chinese government is getting creative as it hunts for ways to keep pace with the Trump administration in an escalating trade fight. Beijing is tightening the screws on foreign companies seeking stakes in listed Chinese companies. The government published proposed rules Monday that would subject more would-be investors to a formal national security review. Though the measures would affect all countries, it wouldn't be surprising if they are used to mainly limit American investment in Chinese firms. That move followed China's decision last week to kill Qualcomm's \$44 billion purchase of

Dutch chipmaker NXP — a move observers called retaliation for U.S. tariffs, despite Chinese claims that it was based solely on antitrust concerns. Chinese regulators reviewed the deal because Qualcomm is a major player in the country's semiconductor market, gathering nearly two-thirds of its revenue there last year.

## **29. Steelmaker ArcelorMittal Gains from Tariffs as Prices Rise**

Wall Street Journal.com, Aug. 1 - Luxembourg-listed ArcelorMittal signaled Wednesday it would benefit from U.S. tariffs on steel and aluminum imports that have been an earnings headwinds for many American and foreign manufacturers. The steelmaker posted a 40% rise in second-quarter net profit to \$1.87 billion on sales of \$20 billion Wednesday. U.S. steel and aluminum prices are up around 33% and 11% this year, respectively, which has proved a boon for ArcelorMittal. "We have a strong U.S. exposure [and] clearly we are a net beneficiary of the trade actions," Chief Financial Officer Aditya Mittal said Wednesday.

## **30. France Confirms Fincantieri-STX Shipyard Deal, Cautious on Defense Merger**

Reuters.com, Aug. 1 - France hopes Italian shipbuilder Fincantieri's takeover of STX France will be wrapped up soon, French Finance Minister Bruno Le Maire said on Wednesday, but sounded a more cautious note on any defense naval merger. Speaking in Rome after meeting two Italian ministers, Le Maire said France had not changed its position on the STX deal, quelling concerns the takeover could be hampered by tenser relations with Italy's new anti-establishment government. "Italy and France share the same desire to wrap up the STX-Fincantieri merger, which will produce one of the biggest civilian shipbuilders in the world," Le Maire told reporters after talks with his Italian counterpart Giovanni Tria and Deputy Prime Minister Luigi Di Maio.

## **31. Opinion: 3D-Printed Guns Were Always Going to Be Legal**

Washington Examiner.com, July 29 - It's entirely fair to claim or insist that 3D printing of guns is going to lead to more than the occasional problems of untraceability. That is indeed the claim being made by various gun control groups. Depending upon your Second Amendment views, you can view the ability to download plans and instructions as a good or a bad thing. But it was always obvious to me that courts would rule only one way – it's legal, entirely so. Americans are pretty much allowed to say what they like without prior restraint. Sure, there are laws about what you cannot say (libel, incitement to immediate violence, and the like), but they're always applied afterwards. Anyone wanting to attribute blame or responsibility to those who post gun designs online will be equally able to do so. So, people can post such designs, and people can download them. What happens next, well, free speech is part of that tree of liberty that must occasionally be watered with blood. The case against people being able to do so was never actually, in law at least, about Americans being able to do that in America. It was about the export of such designs, and here, the law is more than a little hinky. I'm surprised Snopes hasn't quite got it right, to be honest.

## **32. Viewpoint: DoD's Digital Engineering Strategy Has Far-Reaching Implications**

National Defense Magazine.org, July 31 - Early in July, the Department of Defense released its "Digital Engineering Strategy" to help the four services understand approaches for using

digital engineering for product development and acquisition. The document, released by Undersecretary of Defense for Research and Engineering Michael Griffin, outlined the department's strategic goals for digital engineering. According to the strategy, they are:

- Formalize the development, integration and use of models to inform enterprise and program decision-making
- Provide an enduring, authoritative source of truth
- Incorporate technological innovation to improve the engineering practice
- Establish a supporting infrastructure and environment to perform activities, collaborate and communicate across stakeholders
- Transform the culture and workforce to adopt and support digital engineering across the lifecycle

A hallmark of modern, innovative industries is that they think digitally. They recognize that technology galvanizes different ways of thinking, and therefore doing. Digital twin, or digital thread, are terms being used to describe engineering in a digital environment through modeling and simulation.

## **Upcoming Export Control and Other Trade Compliance Conferences - NEW EVENT ADDED!**

**July 30-31 - National Customs Brokers & Forwarders Association of America, Inc. -  
GTEC - Global Trade Educational Conference 2018 - Dallas - Hilton Dallas Lincoln  
Center**

**Aug. 14-15 - U.S. Dept. of Homeland Security/U.S. Customs and Border Protection  
(CBP) - 2018 Trade Symposium - Atlanta - Marriott Marquis Hotel**

**Aug. 14-15 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and  
Professional Association of Exporters and Importers - Complying with U.S. Export  
Controls - Milpitas, California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Aug. 16 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) and  
Professional Association of Exporters and Importers - Encryption Controls - Milpitas,  
California - Crowne Plaza Hotel, 777 Bellew Dr.**

**Sept. 5 - IDEEA, Inc. - ComDef 2018 - Washington, DC - National Press Club - Gary  
Stanley, *Editor of Defense and Export-Import Update*, will again moderate the panel  
"Export Control Update" at this annual conference for the defense industry.**

**NEW - Sept. 5 - American Bar Association/Section of International Law/Export  
Controls & Economic Sanctions Committee - Global Operators: Cyber Hacking and  
Attribution - 2:00 - 4:00 PM EDT - American Bar Association, 250 Connecticut Ave.,  
N.W., Suite 570 - Teleconference Option Available!**

**Sept. 12-13 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) -  
Complying with U.S. Export Controls - Smithfield, Rhode Island - Bryant University,  
1150 Douglas Pike**

**Sept. 13-17 - International Compliance Professionals Association (ICPA) -2018  
ICPA@SEA - Galveston, TX to Cozumel**

**Sept. 19-20 - U.S. Dept. of Commerce/Bureau of Industry and Security (BIS) &  
Southern California District Export Council - Complying with U.S. Export Controls, LA  
2018 - Los Angeles - Westin Los Angeles Airport Hotel**

**Sept. 19-20 - SMi Group - Defence Exports 2018 - Rome - Crowne Plaza Rome St.  
Peter's Hotel & Spa - Gary Stanley, *Editor of Defense and Export-Import Update*, is  
proud to be once again chairing this event and conducting a related Sept. 18 workshop  
on "Jurisdiction, Classification, and Licensing: How to Police Your U.S. Suppliers"**

**Sept. 25-26 - American Conference Institute - 11th West Coast Conference on FCPA  
Enforcement and Compliance - San Francisco - Marines' Memorial Club and Hotel**

**Sept. 25-26 - American Conference Institute - 4th Canadian Forum on Global Economic Sanctions Compliance & Enforcement - Toronto**

**Sept. 28 - Society for International Affairs - 2018 Fall Golf Outing - Woodbridge, Virginia - Old Hickory Golf Club**

**Oct. 1 - Chatham House (The Royal Institute of International Affairs) - Illicit Financial Flows 2018 - London - 10 St James's Square London SW1Y 4LE**

**Oct. 16-18 - Partnerships International, inc. - "Partnering for Compliance™" West 2018 - Fort Worth - Dallas-Fort Worth Marriott South Airport Hotel**

**Oct. 21-23 - International Compliance Professionals Association (ICPA) - 2018 ICPA Fall Conference - Grapevine, TX - Embassy Suites DFW Airport North**

**Oct. 22-23 - Society for International Affairs - 2018 Fall Advanced Conference - Arlington, Virginia - Crystal Gateway Marriott Hotel**

**Oct. 30 - American Conference Institute - 4th Asia Pacific Economic Sanctions Compliance and Enforcement - Singapore - Marriott Singapore Tang Plaza Hotel**

**Oct. 31 - Nov. 1 - American Conference Institute - 7th Asia Pacific Summit on Anti-Corruption Compliance and Risk Management - Singapore - Marriott Singapore Tang Plaza Hotel**

**Nov. 8-9 - International Compliance Professionals Association (ICPA) - 2018 Annual China Conference - Shanghai - Four Seasons Hotel**

**Nov. 27-30 - American Conference Institute - 35th International Conference on the Foreign Corrupt Practices Act - Washington, DC - Gaylord National Resort & Convention Center**

**Dec. 7 - Society for International Affairs - 2018 Holiday Party - Washington, DC - Nationals Park, 1500 South Capitol St., S.E.**

**March 4-6 - Society for International Affairs - 2019 Winter Back to Basics Conference - Savannah, Georgia - Savannah Marriott Riverfront Hotel**

**March 24-27 - International Compliance Professionals Association (ICPA) - 2019 ICPA Annual Conference - Orlando, Florida - Disney Coronado Springs Resort**

**May 15-17 - International Compliance Professionals Association (ICPA) - 2019 ICPA Canada Conference - Toronto - Hyatt Regency Toronto Hotel**

We hope this update proves helpful. If you have questions about any of these developments, please do not hesitate to call us. If you received this free newsletter from a colleague or friend and would like to subscribe directly, please just e-mail your name, title, company, and e-mail address to gstanley@glstrade.com.

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**From:** Jim Bartlett, Full Circle Compliance [REDACTED]@fullcirclecompliance.eu]  
**Sent:** 8/1/2018 8:06:19 PM  
**To:** Abraham, Liz (Federal) [LAbraham@doc.gov]  
**Subject:** 18-0801 Wednesday "Daily Bugle"



# THE DAILY BUGLE

Wednesday, 1 August 2018

The Daily Bugle is a free daily newsletter from Full Circle Compliance, containing changes to export/import regulations (ATF, DOE/NRC, Customs, NISPOM, EAR, FACR/OFAC, FAR/DFARS, FTR/AES, HTSUS, and ITAR), plus news and events. Subscribe [here](#) for free subscription. Contact us for advertising inquiries and rates.

## ITEMS FROM FEDERAL REGISTER

1. [President Continues National Emergency with Respect to Lebanon](#)
2. [Justice/ATF Seeks Comments on National Firearms Act Division and Firearms and Explosives Services Division Customer Service Survey](#)
3. [DHS/CBP Adjusts COBRA Fees for Inflation in FY 2019](#)

## OTHER GOVERNMENT SOURCES

4. [Items Scheduled for Publication in Future Federal Register Editions](#)
5. [Commerce/BIS Activates Denial Order Concerning Narender Sharma and Hydel Engineering Products of Middle Bazaar, Rampur Bushahr, India](#)
6. [DHS/CBP Releases Notice Concerning In-Bond Enforcement Discretion](#)
7. [DoD/DSS Releases Notice for Entities Cleared by DoD under the National Industrial Security Program](#)
8. [GAO Ex/Im Reports and Testimonies of Interest](#)
9. [State/DDTC Withdraws Temporary Modification of USML Category I that Would Have Permitted Internet Posting of 3D-printed Firearm Plans](#)
10. [Treasury/OFAC Issues Ukraine-/Russia-related General License](#)
11. [U.S. District Court Issues Temporary Restraining Order in 3-D Printer Gun Case](#)
12. [EU Adds 6 Entities to Russia Sanctions List](#)
13. [UK OFSI Publishes Guide Concerning Financial Sanctions](#)

NEWS

14. [CTech: "Israeli and U.S. Defense Robotics Companies Quarrel Over China Ties"](#)
15. [Seattle Times: "Federal Judge in Seattle Blocks Release of Blueprints for 3D-Printed Guns"](#)

**COMMENTARY**

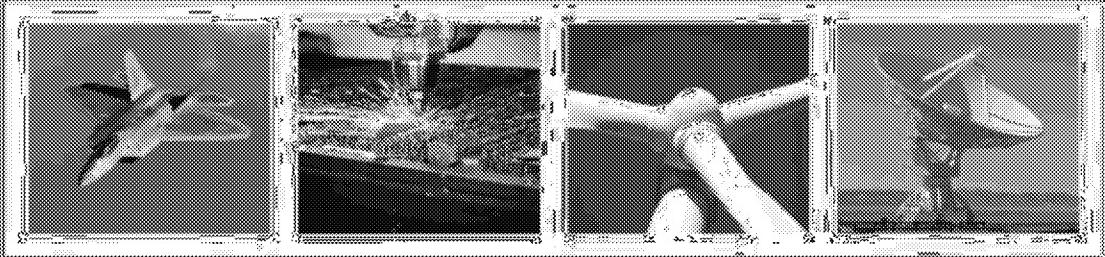
16. [M. Volkov: "White Collar Criminals and Sending a Message to Deter Misconduct \(Part II of III\)"](#)
17. [R.C. Thomsen II, A.D. Paytas & M.M. Shomali: "Changes to Export Controls in July 2018"](#)
18. [R.C. Burns: "Federal Court Incorrectly Says DDTC Jumped the Gun on Gun Printing Plans"](#)

**EXIM TRAINING EVENTS & CONFERENCES**

19. [ECTI Presents "Understanding the Tariff Wars: Developing Strategies to Overcome International Supply Chain Disruptions" Webinar, 12 Sep](#)

**EDITOR'S NOTES**

20. [Bartlett's Unfamiliar Quotations](#)
21. [Are Your Copies of Regulations Up to Date? Latest Amendments: ATF \(15 Jan 2016\), Customs \(12 Jun 2018\), DOD/NISPOM \(18 May 2016\), EAR \(1 Aug 2018\), FACR/OFAC \(29 Jun 2018\), FTR \(24 Apr 2018\), HTSUS \(8 Jun 2018\), ITAR \(14 Feb 2018\)](#)
22. [Weekly Highlights of the Daily Bugle Top Stories](#)



**Awareness Course U.S. Export Controls  
ITAR & EAR from a Non-U.S. Perspective**

Tuesday, 2 October 2018, Landgoed Groenhoven, Bruchem, the Netherlands

FULL CIRCLE

1. Commerce/BIS Amends EAR, Adds 44 Entities in China to Entity List, Modifies 1 Entry  
(Source: [Federal Register](#), 1 Aug 2018.) [Excerpts.]

83 FR 37423-37433: Addition of Certain Entities; and Modification of Entry on the Entity List

\* AGENCY: Bureau of Industry and Security, Commerce.  
\* ACTION: Final rule.  
\* SUMMARY: This rule amends the Export Administration Regulations (EAR) by adding forty-four entities (eight entities and thirty-six subordinate institutions) to the Entity List. The entities that are being added to the Entity List have been determined by the U.S. Government to be acting contrary to the national security or foreign policy interests of the United States. These entities will be listed on the Entity List under the destination of China. This rule also modifies one entry under China to provide additional addresses and names for the entity at issue.  
\* DATES: **This rule is effective August 1, 2018.** ...  
\* SUPPLEMENTARY INFORMATION: The Entity List (Supplement No. 4 to part 744) identifies entities reasonably believed to be involved, or to pose a significant risk of being or becoming involved, in activities contrary to the national security or foreign policy interests of the United States. The EAR imposes additional license requirements on, and limits the availability of most license exceptions for, exports, reexports, and transfers (in-country) to listed entities. The "license review policy" for each listed entity is identified in the License Review Policy column on the Entity List and the impact on the availability of license exceptions is described in the Federal Register notice adding entities to the Entity List. BIS places entities on the Entity List pursuant to sections of part 744 (Control Policy: End-User and End-Use Based) and part 746 (Embargoes and Other Special Controls) of the EAR.

The End-User Review Committee (ERC), composed of representatives of the Departments of Commerce (Chair), State, Defense, Energy and, where appropriate, the Treasury, makes all decisions regarding additions to, removals from, or other modifications to the Entity List. The ERC makes all decisions to add an entry to the Entity List by majority vote and all decisions to remove or modify an entry by unanimous vote.

***ERC Entity List Decisions***

*Additions to the Entity List*

This rule implements the decision of the ERC to add forty-four entities (eight entities and thirty-six of their subordinate institutions) to the Entity List. These entities are being added on the basis of Sec. 744.11 (License requirements that apply to entities acting contrary to the national security or foreign policy interests of the United States) of the EAR. All of the entities added as part of this rule are located in China.

The ERC reviewed Sec. 744.11(b) (Criteria for revising the Entity List) in making the determination to add these entities to the Entity List. Under that paragraph, entities for which there is reasonable cause to believe, based on specific and articulable facts, that the entity has been involved, is involved, or poses a significant risk of being or becoming involved in, activities that are contrary to the national security or foreign policy interests of the United States, and those acting on behalf of such entity, may be added to the Entity List. Paragraphs (b)(1) through (5) of Sec. 744.11 provide an illustrative list of activities that could be contrary to the national security or foreign policy interests of the United States.

The ERC determined that seventeen entities, China Electronic Technology Group Corporation (CETC) 13, and twelve of its subordinate institutions; CETC-55, and two of its subordinate institutions; and Hebei Far East Communication System Engineering, all located in China, be added to the Entity List for actions contrary to the national security or foreign policy interests of the United States. These seventeen entities are being added to the Entity List on the basis of their involvement in the procurement of U.S.-origin items for activities contrary to the national security and foreign policy interests of the United States. Specifically, the ERC determined that there is reasonable cause to believe, based on specific and articulable facts, that all of these entities are involved in the illicit procurement of commodities and technologies for unauthorized military end-use in China.

The ERC determined that twenty-seven entities, China Aerospace Science and Industry Corporation Second Academy, and thirteen of its subordinate institutions; China Electronics Technology Group Corporation 14th Research Institute, and two of its subordinate institutions; China Electronics Technology Group Corporation 38th Research Institute, and seven of its subordinate institutions; China Tech Hi Industry Import and Export Corporation; and China Volant Industry, all located in China, be added to the Entity List for actions contrary to the national security or foreign policy interests of the United States. The ERC determined that for these twenty-seven entities there is reasonable cause to believe, based on specific and articulable facts, that there is an unacceptable risk of use in (or diversion of U.S.-origin items to) military end-use activities in China.

Pursuant to Sec. 744.11(b) of the EAR, the ERC determined that the conduct of all forty-four of these entities raises sufficient concern that prior review of exports, reexports or transfers (in-country) of all items subject to the EAR involving these entities, and the possible imposition of license conditions or license denials on shipments to the entities, will enhance BIS's ability to prevent violations of the EAR.

For all forty-four entities added to the Entity List in this final rule, BIS imposes a license requirement for all items subject to the EAR, and a license review policy of presumption of denial. The license requirements apply to any transaction in which items are to be exported, reexported or transferred (in-country) to any of the entities or in which such entities act as purchaser, intermediate consignee, ultimate consignee, or end-user. In addition, no license exceptions are available for exports, reexports or transfers (in-country) to the entities being added to the Entity List in this rule. The acronym "a.k.a." (also known as) is used in entries on the Entity List to identify aliases and help exporters, reexporters and transferors to better identify entities on the Entity List.

This rule adds the following entities to the Entity List: [see [here](#).] ...

Dated: July 27, 2018.

Richard E. Ashoo, Assistant Secretary for Export Administration.

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## 2. Justice/ATF Seeks Comments on National Firearms Act Division and Firearms and Explosives Services Division Customer Service Survey

(Source: [Federal Register](#), 1 Aug 2018.) [Excerpts.]

83 FR 37520: Agency Information Collection Activities; Proposed eCollection eComments Requested; National Firearms Act Division and Firearms and Explosives Services Division Customer Service Survey

- \* AGENCY: Bureau of Alcohol, Tobacco, Firearms and Explosives, Department of Justice.
- \* ACTION: 30-day notice.
- \* SUMMARY: The Department of Justice (DOJ), Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), will submit the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995. A minor change is being made to the proposed collection OMB 1140-0101 (Firearms and Explosives Services Division (FESD) Customer Service Survey), to include references to the recently established National Firearms Act Division (NFA Division); which was previously a branch in FESD. All survey questions directly relate to customer experience in FESD, NFA Division and their branches. The proposed collection is being published to obtain comments from the public and affected agencies. The proposed information collection was previously published in the Federal Register, on May 30, 2018, allowing for a 60-day comment period.
- \* DATES: Comments are encouraged and will be accepted for an additional 30 days until August 31, 2018.
- \* FOR FURTHER INFORMATION CONTACT: If you have additional comments, particularly with respect to the estimated public burden or associated response time, have suggestions, need a copy of the proposed information collection instrument with instructions, or desire any other additional information, please contact Erica Payne, National Firearms Act Division, either by mail at 244 Needy Road, Martinsburg, WV 25405, by email at [Erica.payne@atf.gov](mailto:Erica.payne@atf.gov) or by telephone at 304-616-4582. Written comments and/or suggestions can also be directed to the Office of Management and Budget, Office of Information and Regulatory Affairs, Attention Department of Justice Desk Officer, Washington, DC 20503 or sent to [OIRA\\_submissions@omb.eop.gov](mailto:OIRA_submissions@omb.eop.gov).
- \* SUPPLEMENTARY INFORMATION: ...

*Overview of This Information Collection*

- Type of Information Collection: Extension, with change, of a currently approved collection.
- The Title of the Form/Collection: National Firearms Act Division and Firearms and Explosives Services Division Customer Service Survey. ...
- Form number: None. ...
- Abstract: The purpose of this survey is to gather information about customer service provided to the firearms and explosives industry and government agencies, in order to improve service delivery and customer satisfaction. ...

Date: July 27, 2018.

Melody Braswell, Department Clearance Officer for PRA, U.S. Department of Justice.

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### 3. DHS/CBP Adjusts COBRA Fees for Inflation in FY 2019 (Source: [Federal Register](#), 1 Aug 2018.) [Excerpts.]

83 FR 37509-37511: COBRA Fees To Be Adjusted for Inflation in Fiscal Year 2019

- \* AGENCY: U.S. Customs and Border Protection, Department of Homeland Security.
- \* ACTION: General notice.
- \* SUMMARY: This document announces that U.S. Customs and Border Protection (CBP) is adjusting certain customs user fees and limitations established by the Consolidated Omnibus Budget Reconciliation Act (COBRA) for Fiscal Year (FY) 2019 in accordance with the Fixing America's Surface Transportation Act (FAST Act) as implemented by CBP regulations.
- \* DATES: The adjusted amounts of customs COBRA user fees and their corresponding limitations set forth in this notice for Fiscal Year 2019 are required as of October 1, 2018. ...
- \* SUPPLEMENTARY INFORMATION: ... On December 4, 2015, the Fixing America's Surface Transportation Act (FAST Act, Pub. L. 114-94) was signed into law. Section 32201 of the FAST Act amended section 13031 of the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 (19 U.S.C. 58c) by requiring certain customs COBRA user fees and corresponding limitations to be adjusted by the Secretary of the Treasury (Secretary) to reflect certain increases in inflation.

Sections 24.22 and 24.23 of title 19 of the Code of Federal Regulations (19 CFR 24.22 and 24.23) describe the procedures that implement the requirements of the FAST Act. Specifically, paragraph (k) in section 24.22 (19 CFR 24.22(k)) sets forth the methodology to determine the change in inflation as well as the factor by which the fees and limitations will be adjusted, if necessary. The fees and limitations subject to adjustment, which are set forth in Appendix A and Appendix B of part 24, include the commercial vessel arrival fees, commercial truck arrival fees, railroad car arrival fees, private vessel arrival fees, private aircraft arrival fees, commercial aircraft and vessel passenger arrival fees, dutiable mail fees,

customs broker permit user fees, barges and other bulk carriers arrival fees, and merchandise processing fees, as well as the corresponding limitations.

...

### *Announcement of New Fees and Limitations*

The adjusted amounts of customs COBRA user fees and their corresponding limitations for Fiscal Year 2019 as adjusted by 4.886 percent set forth below are required as of October 1, 2018. Table 1 provides the fees and limitations found in 19 CFR 24.22 as adjusted for Fiscal Year 2019 and Table 2 provides the fees and limitations found in 19 CFR 24.23 as adjusted for Fiscal Year 2019.

TABLE 1—CUSTOMS COBRA USER FEES AND LIMITATIONS FOUND IN 19 CFR 24.22 AS ADJUSTED FOR FISCAL YEAR 2019

19 U.S.C. 58c	19 CFR 24.22	Customs COBRA user fee/limitation	New fee/limitation adjusted in accordance with the FAST Act
(a)(1)	(b)(1)(i)	Fee: Commercial Vessel Arrival Fee .....	\$458.35
(b)(5)(A)	(b)(1)(ii)	Limitation: Calendar Year Maximum for Commercial Vessel Arrival Fees .....	6,245.97
(a)(6)	(b)(2)(i)	Fee: Barges and Other Bulk Carriers Arrival Fee .....	115.37
(b)(6)	(b)(2)(ii)	Limitation: Calendar Year Maximum for Barges and Other Bulk Carriers Arrival Fees .....	1,573.29
(a)(2)	(c)(1)	Fee: Commercial Truck Arrival Fee <sup>2</sup> .....	\$5.75
(b)(2)	(c)(2) and (3)	Limitation: Commercial Truck Calendar Year Prepayment Fee <sup>4</sup> .....	104.89
(a)(3)	(d)(1)	Fee: Railroad Car Arrival Fee .....	8.65
(b)(3)	(d)(2) and (3)	Limitation: Railroad Car Calendar Year Prepayment Fee .....	104.89
(a)(4)	(e)(1) and (2)	Fee and Limitation: Private Vessel or Private Aircraft First Arrival/Calendar Year Prepayment Fee.	28.84
(a)(6)	(f)	Fee: Dutiable Mail Fee .....	5.77
(a)(5)(A)	(g)(1)(i)	Fee: Commercial Vessel or Commercial Aircraft Passenger Arrival Fee .....	5.77
(a)(5)(B)	(g)(1)(ii)	Fee: Commercial Vessel Passenger Arrival Fee (from one of the territories and possessions of the United States).	2.02
(a)(7)	(h)	Fee: Customs Broker Permit User Fee .....	144.74

**TABLE 2—CUSTOMS COBRA USER FEES AND LIMITATIONS FOUND IN 19 CFR 24.23 AS ADJUSTED FOR  
FISCAL YEAR 2019**

19 U.S.C. 58c	19 CFR 24.23	Customs COBRA user fee/limitation	New fee/ limitation adjusted in accordance with the FAST Act
(b)(9)(A) (ii)	(b)(1)(i)(A)	Fee: Express Consignment Carrier/Centralized Hub Facility Fee, Per Individual Waybill/Bill of Lading Fee.	\$1.05
(b)(8)(B)(i)	(b)(1)(i)(B)(2)	Limitation: Minimum Express Consignment Carrier/Centralized Hub Facility Fee <sup>6</sup>	0.37
(b)(9)(B)(i)	(b)(1)(i)(B)(2)	Limitation: Maximum Express Consignment Carrier/Centralized Hub Facility Fee	1.05
(a)(9)(B)(i); (b)(8)(A)(i)	(b)(1)(i)(B)(1)	Limitation: Minimum Merchandise Processing Fee <sup>6</sup>	28.22
(a)(9)(B)(i); (b)(8)(A)(i)	(b)(1)(i)(B)(1)	Limitation: Maximum Merchandise Processing Fee <sup>7,8</sup>	\$08.70
(b)(8)(A)(i)	(b)(1)(i)	Fee: Surcharge for Manual Entry or Release	3.15
(a)(10)(C)(i)	(b)(2)(i)	Fee: Informal Entry or Release; Automated and Not Prepared by CBP Personnel	2.10
(a)(10)(C)(i)	(b)(2)(i)	Fee: Informal Entry or Release; Manual and Not Prepared by CBP Personnel	6.29
(a)(10)(C)(ii)	(b)(2)(ii)	Fee: Informal Entry or Release; Automated or Manual; Prepared by CBP Personnel	9.44
(b)(9)(A)(i)	(b)(4)	Fee: Express Consignment Carrier/Centralized Hub Facility Fee, Per Individual Waybill/Bill of Lading Fee.	\$1.05

Tables 1 and 2 setting forth the adjusted fees and limitations for Fiscal Year 2019 will also be maintained for the public's convenience on the CBP website at [www.cbp.gov](http://www.cbp.gov).

Dated: July 27, 2018.  
 Kevin K. McAleenan, Commissioner, U.S. Customs and Border Protection.

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 [FN/2] The Commercial Truck Arrival fee is the CBP fee only, it does not include the United States Department of Agriculture (USDA) Animal and Plant Health Inspection Services agricultural quarantine and inspection (APHIS/AQI) fee that is collected by CBP on behalf of USDA. See 7 CFR 354.3(c) and 19 CFR 24.22(c)(1). Once 19 Single Crossing Fees have been paid and used for a vehicle identification number (VIN)/vehicle in a Decal and Transponder Online Procurement System (DTOPS) account within a calendar year, the payment required for the 20th (and subsequent) single-crossing is only the APHIS/AQI fee and no longer includes the CBP Commercial Truck Arrival fee (for the remainder of that calendar year).

[FN/3] The Commercial Truck Arrival fee is adjusted down from 5.77 to the nearest lower nickel. See 82 FR 50523 (November 1, 2017).

[FN/4] See footnote 2 above.

[FN/5] Although the minimum limitation is published, the fee charged is the fee required by 19 U.S.C. 58c(b)(9)(A)(ii).

[FN/6] Only the limitation is increasing; the ad valorem rate of 0.3464% remains the same. See 82 FR 32661 (July 17, 2017).

[FN/7] Id.

[FN/8] For monthly pipeline entries, see: [here](#).

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4. Items Scheduled for Publication in Future Federal Register Editions  
(Source: [Federal Register](#))

\* DHS/CBP; PROPOSED RULES; Modernized Drawback [Publication Date: 2 August 2018.]

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5. Commerce/BIS Activates Denial Order Concerning Narender Sharma and Hydel Engineering Products of Middle Bazaar, Rampur Bushahr, India  
(Source: [Commerce/BIS](#), 1 Aug 2018.) [Summary.]

\* Respondent: Narender Sharma and Hydel Engineering Products of Rampur Bushahr, India  
\* Charges: Violation of one of the probationary conditions relating to the \$70,000 suspended portion of the civil penalty and the suspension of the 31 Aug 2017 denial order of Sharma's and Hydel's export privileges. Specifically, Hydel and Sharma did not pay \$30,000 that was due by 15 Dec 2017.  
\* Penalty: Activation of the \$70,000 suspended portion of the civil penalty and activation of denial order including a five-year denial period. The now-activated \$70,000 civil penalty amount shall be paid to the U.S. Commerce Department within 15 days of the order.  
\* Debarred: 5 years.  
\* Date of Order: 30 Jul 2018.

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6.  
DHS/CBP Releases Notice Concerning In-Bond Enforcement Discretion  
(Source: [CSMS# 18-000466](#), 1 Aug 2018.)

Due to issues identified with electronic communication for intermodal movement of cargo and other operational issues identified by trade partners, OFO will defer enforcement as identified above for a 6-month period until February 6, 2019.

- In-bond shipments that arrive into the United States on a mode of transport other than air and are subsequently transferred to air for exportation from the U.S. or movement to a U.S. port of entry may continue to be arrived and exported by CBP.
- In-bonds that originate in the United States from either bonded

warehouses or Foreign Trade Zones and are subsequently exported by air may continue to be arrived and exported by CBP.

- The use of FIRMS codes at arrival will not be enforced for those reporting electronically.
- No automated edits in ACE will be implemented avoiding system reject messaging.
- CBP Officers at the port will assist traders with in-bond arrival and export reporting as needed.
- Timeframe enforcement for arrival and export reporting beyond the 2 business days specified in the regulations for those reporting electronically will be extended to 4 days.

Ports have been instructed to maintain an evaluation of the Trade's progress in compliance during this period, and a reevaluation will be made within the 6-month period. While ports are instructed to issue warnings rather than penalties during this time, ports will maintain the discretion to fully enforce for egregious or continued violations or a lack of demonstration of good faith efforts. Allowing for an extension until February 6, 2019, will also allow other government agencies an opportunity to further enhance and align their electronic systems with ACE.

Additionally until further notice, CBP will:

- Provide a stamp or perforation on a CBP Form 7512 verifying exportation upon request of the carrier. The carrier, in order for CBP to stamp or perforate an in-bond document, must provide proof of exportation (or physical verification).
- CBP will continue to defer enforcement of the submission of the 6 digit HTSUS number indefinitely.

Please direct any questions to [CSCWAREHOUSING@CBP.DHS.GOV](mailto:CSCWAREHOUSING@CBP.DHS.GOV)

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## 7.

DoD/DSS Releases Notice for Entities Cleared by DoD under the National Industrial Security Program

(Source: [DoD/DSS](#), 1 Aug 2018.)

In early June 2018, the Director of National Intelligence, in his capacity as the Security Executive Agent, and the Director of the Office of Personnel Management, in his capacity as the Suitability & Credentialing Executive Agent (Executive Agents), jointly issued a memorandum directing the implementation of interim measures intended to mitigate the existing backlog of personnel security investigations at the National Background Investigations Bureau (NBIB). These measures include the deferment of reinvestigations when screening results are favorable and mitigation activities are in place, as directed.

In accordance with the guidance and direction received from the Executive

Agents, Defense Security Service (DSS) will adopt procedures to defer the submission of Tier 3 Reinvestigations (T3Rs) and Tier 5 Reinvestigations (T5Rs) for entities cleared under the National Industrial Security Program. Facility Security Officers should continue to submit completed Standard Form 86 and the reinvestigation request, six years from the date of last investigation for the T5Rs and 10 years from the date of the last reinvestigation for the T3Rs. New reinvestigation requests will be screened by DSS using a risk management approach that permits deferment of reinvestigations according to policy. If the determination is made to defer reinvestigations, individuals will be immediately enrolled into the DoD Continuous Evaluation (CE)/Continuous Vetting (CV) capabilities, as required.

The Executive Agents have directed all Federal departments and agencies to reciprocally accept the prior favorable adjudication for deferred reinvestigations that are out of scope (overdue). Existing eligibility remains valid until the individual is removed from CE, no longer has any DoD affiliation, or has their eligibility revoked or suspended.

The Office of the Under Secretary of Defense for Intelligence signed a memorandum on December 7, 2016, reminding DoD Components that personnel security clearances do not expire. Individuals with current eligibility in the Joint Personnel Adjudication System (JPAS), or its successor, should not be denied access based on an out-of-scope investigation. That memorandum is provided [here](#) for ease of reference. If you encounter any challenges with this process, please email [dss.ncr.dss-isfo.mbx.psmoi@mail.mil](mailto:dss.ncr.dss-isfo.mbx.psmoi@mail.mil) for assistance.

These procedures will remain in effect until further notice. More information is available in the linked [frequently asked questions](#).

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## 8. GAO Ex/Im Reports and Testimonies of Interest (Source: [GAO Reports and Testimonies](#), 1 Aug 2018.)

\* Improved Information Sharing Could Help DOD Determine Whether Items Are Commercial and Reasonably Priced.GAO-18-530: Published: Jul 31, 2018. Publicly Released: Jul 31, 2018.

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## 9. State/DDTC Withdraws Temporary Modification of USML Category I that Would Have Permitted Internet Posting of 3D-printed Firearm Plans (Source: Editor, 1 Aug 2018.)

The Directorate of Defense Trade Controls (DDTC) has removed from its website the notice titled "Temporary Modification of Category I of the United States Munitions List," dated July 27, 2018. The notice stated that the Acting Deputy Assistant Secretary for Defense Trade Controls, under authority of 22 C.F.R. § 126.2, had temporarily modified United States Munitions List (USML) Category One to exclude the technical data identified in the Settlement Agreement for the matter of Defense Distributed v. U.S. Department of State. The DDTC website notice was removed on July 31, 2018, after a Federal court's temporary restraining order blocking the release of downloadable blueprints for 3D-printed firearms that had been agreed to in a settlement between Defense Distributed and the Department of State.

State Department's spokeswoman, Heather Nauert, defended the decision to settle the case, saying that move was based on legal advice from the Justice Department. "The reason that the State Department got involved ... is because of our role in controlling foreign access to U.S. defense technology," she said. "The State Department wants to prevent the wrong people from acquiring weapons overseas."

But, she said, "we were informed that we would have lost this case in court ... based on First Amendment grounds ... The Department of Justice suggested that the State Department and the U.S. government settle this case, and so that is what was done."

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## 10. Treasury/OFAC Issues Ukraine-/Russia-related General License

(Source: [Treasury/OFAC](#), 31 Jul 2018.)

The Department of the Treasury's Office of Foreign Assets Control (OFAC) is issuing Ukraine-/Russia-related General License 13C, which replaces and supersedes General License 13B in its entirety. General License 13C extends the expiration date of the general license to 12:01 a.m. October 23, 2018. OFAC is also replacing references to GL 13B in these FAQs with references to GL 13C.

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## 11. U.S. District Court Issues Temporary Restraining Order in 3-D Printer Gun Case

(Source: Editor, 1 Aug 2018.) [Docket numbers and administrative references removed. Copy of original available [HERE](#).]

UNITED STATES DISTRICT COURT WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE STATE OF WASHINGTON, et al., Plaintiffs, v. UNITED STATES  
DEPARTMENT OF STATE, et al., Defendants.

Case No. C18-1115RSL  
TEMPORARY RESTRAINING ORDER

This matter comes before the Court on plaintiffs' "Emergency Motion for Temporary Restraining Order (with Notice to Adverse Party)" ... and defendants' oppositions thereto .... On or about June 29, 2018, defendants entered into an agreement whereby the federal government agreed to publish a notice of proposed rulemaking and final rule revising the United States Munitions List ("USML") to allow the distribution of computer aided design ("CAD") files for the automated production of 3-D printed weapons, to announce a temporary modification of the USML to allow such distribution while the final rule is in development, and to issue a letter to Defense Distributed and other defendants advising that the CAD files are approved for public release and unlimited distribution. The agreement was made public on July 10, 2018, and Defense Distributed is currently allowing individuals to sign up to download specific CAD files on August 1, 2018. DEFCAD, <https://defcad.com> (visited Jul. 31, 2018).

Prior to the June 29, 2018, agreement, the federal government had taken the position that restrictions on the export of technical data that is indispensable to the creation of guns and their components through a 3-D printing process was an essential part of its efforts to ensure that articles useful for warfare or terrorism do not proliferate and threaten United States interests and security. Under the Arms Export Control Act ("AECA"), the President of the United States is authorized "to control the import and the export of defense articles and defense services" "[i]n furtherance of world peace and the security and foreign policy of the United States." 22 U.S.C. § 2778(a)(1). "Defense articles and defense services" includes all firearms up to .50 caliber and all technical data related to such firearms, including information that "is required for the design, development, production, manufacture, assembly, operation, repair, testing, maintenance or modification of" the firearms. 22 C.F.R. § 121.1(I)(a) and § 121.10(a).

When defendant Defense Distributed posted CAD files for various weapons on its website in December 2012, the federal government requested that they be immediately removed from public access. The government advised Defense Distributed that it could request a determination from the Directorate of Defense Trade Controls ("DDTC") within the United States Department of State regarding whether the files were subject to export control under the International Traffic in Arms Regulations ("ITAR"). [FN/1] Defense Distributed filed a number of determination requests. It also filed a lawsuit in the United States District Court for the Western District of Texas in which it argued that the export restrictions constituted a prior restraint on and censorship of expression in violation of the First, Second, and Fifth Amendments to the United States Constitution. *Defense Distributed v. U.S. Dep't of State*, C15-0372RP (W.D. Tex). Defense Distributed sought a preliminary injunction precluding the imposition of any prepublication approval requirement for its CAD files. The federal government opposed the motion, arguing that:

- "export of Defense Distributed's CAD files could cause serious harm to U.S. national security and foreign policy interests" and "warrant subjecting [the files] to ITAR's export licensing of technical data;"
- Defense Distributed's "CAD files constitute the functional equivalent of defense articles: capable, in the hands of anyone who possesses commercially available 3D printing equipment, of 'automatically' generating a lethal firearm that can be easily modified to be virtually undetectable in metal detectors and other security equipment;"
- "The State Department is particularly concerned that [Defense Distributed's] proposed export of undetectable firearms technology could be used in an assassination, for the manufacture of spare parts by embargoed nations, terrorist groups, or guerrilla groups, or to compromise aviation security overseas in a manner specifically directed at U.S. persons;" and
- both the government and the public "have a strong interest in curbing violent regional conflicts elsewhere in the world, especially when such conflict implicates the security of the United States and the world as a whole." Id., Dkt. # 32 at 19-20 (internal quotation marks and citations omitted).

The then-Director of the Office of Defense Trade Controls Management, Lisa V. Aguirre, concluded that the unrestricted export of Defense Distributed's CAD files would result in the production of plastic firearms that are fully operable and virtually undetectable by conventional security measures, that their use to commit terrorism, piracy, assassinations, or other serious crimes would cause serious and long-lasting harm to the foreign policy and national security interests of the United States, that efforts to restrict the availability of defense articles to enemies of the United States would fail, that the proliferation of weapons and related technologies would contribute to a more dangerous international environment, and that the export would undercut the domestic laws of nations that have more restrictive firearm controls and the United States' foreign relations with those nations would suffer. ...

The district court denied the motion for preliminary injunction, noting that Defense Distributed's avowed purpose is to facilitate "global access to, and the collaborative production of, information and knowledge related to the three-dimensional ('3D') printing of arms," and that such activities "undoubtedly increase[] the possibility of outbreak or escalation of conflict" and are of the type Congress authorized the President to regulate through the AECA. ... The Fifth Circuit affirmed, finding that "the State Department's stated interest in preventing foreign nationals - including all manner of enemies of this country - from obtaining technical data on how to produce weapons and weapons parts" constitutes "a very strong public interest in national defense and national security." *Defense Distributed v. U.S. Dep't of State*, 838 F.3d 451, 458 (5th Cir. 2016).

In April 2018, the federal government moved to dismiss Defense Distributed's lawsuit, reiterating that what was at stake was "the United States' ability to control the export of weapons - a system of law and regulations that seeks to ensure that articles useful for warfare or terrorism are not shipped from the United States to other countries (or otherwise

provided to foreigners) without authorization, where, beyond the reach of U.S. law, they could be used to threaten U.S. national security, U.S. foreign policy interests, or international peace and stability." Defense Distributed v. U.S. Dep't of State .... Later that month, the parties reached a tentative settlement agreement which, as described in the first paragraph of this order, will allow Defense Distributed to place downloadable CAD files for automated weapons printing on its website. No findings of fact or other statements are provided in the agreement that could explain the federal government's dramatic change of position or that alter its prior analysis regarding the likely impacts of publication on the United States' national security interests.

On July 30, 2018, two days before Defense Distributed plans to place downloadable CAD files on its website, eight states and the District of Columbia filed this lawsuit seeking a declaration that the "temporary modification" of the USML is invalid and an injunction requiring the federal defendants to rescind the procedurally defective modification and refrain from acting on it. Having reviewed the papers submitted by the parties along with the record before the Honorable Robert L. Pitman in the United States District Court for the Western District of Texas, and having heard the arguments of counsel, the Court finds as follows:

The procedure for obtaining a temporary restraining order differs from that which is applicable in the preliminary injunction context, but the factors considered by the Court are the same. In order to obtain preliminary injunctive relief, plaintiffs must establish that "(1) they are likely to succeed on the merits; (2) they are likely to suffer irreparable harm in the absence of preliminary relief; (3) the balance of equities tips in their favor, and (4) an injunction is in the public interest." Short v. Brown, 893 F.3d 671, 675 (9th Cir. 2018) (2008). In the Ninth Circuit, "if a plaintiff can only show that there are serious questions going to the merits - a lesser showing than likelihood of success on the merits - then a preliminary injunction may still issue if the balance of hardships tips sharply in the plaintiff's favor, and the other two Winter factors are satisfied." ...

Plaintiffs have shown a likelihood of success on the merits of their Administrative Procedure Act claim insofar as the "temporary modification" has resulted in the removal of one or more items from the USML.<sup>2</sup> The federal government represents that its settlement was the result of a multi-year review process which was completed in May 2018 and resulted in a determination that the type of firearms and related technical data at issue here would not provide a military advantage to adversaries and therefore no longer warrant export control under the AECA and should be removed from the USML. In such circumstances, the governing statute, 22 U.S.C. §2778(f)(1), requires that the results of such reviews be reported to Congress and precludes the removal of any item from the USML until thirty days after such notice is given. When the President delegated his authority under the AECA to the Secretary of State, he also imposed a requirement that any changes in designations of defense articles and defense services subject to export control had to have the concurrence of the Secretary of

Defense. There is no indication that the federal government followed the prescribed procedures.

Plaintiffs have also shown a likelihood of irreparable injury if the downloadable CAD files are posted tomorrow as promised. A side effect of the USML has been to make it more difficult to locate and download instructions for the manufacture of plastic firearms. If an injunction is not issued and the status quo alters at midnight tonight, the proliferation of these firearms will have many of the negative impacts on a state level that the federal government once feared on the international stage. Against this hardship is a delay in lifting regulatory restrictions to which Defense Distributed has been subject for over five years: the balance of hardships and the public interest tip sharply in plaintiffs' favor.

For all of the foregoing reasons, plaintiffs' motion for temporary restraining order is GRANTED.

The federal government defendants and all of their respective officers, agents, and employees are hereby enjoined from implementing or enforcing the "Temporary Modification of Category I of the United States Munitions List" and the letter to Cody R. Wilson, Defense Distributed, and Second Amendment Foundation issued by the U.S. Department of State on July 27, 2018, and shall preserve the status quo ex ante as if the modification had not occurred and the letter had not been issued.

Pursuant to the limitations set forth in Fed. R. Civ. P. 65, this matter is hereby set for hearing on Friday, August 10, 2018, at 9:00 a.m. in Courtroom 15106 to determine whether this temporary restraining order should be converted to a preliminary injunction. No bond shall be required.

DATED this 31st day of July, 2018, at 4:35 p.m.

A Robert S. Lasnik, United States District Judge

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[FN/1] The President delegated his authority to regulate under the AECA to the State Department, which promulgated the ITAR. The DDTC administers the ITAR

[FN/2] For purposes of this temporary order, the Court finds that plaintiffs have standing to pursue their claims. Although the restriction of access to technical data within the United States is not the focus or goal of the USML, there is no separation of the internet between domestic and international audiences. Thus, the listing has effectively limited access to the CAD files within the jurisdictions governed by plaintiffs. The States and the District of Columbia have a clear and reasonable fear that the proliferation of untraceable, undetectable weapons will enable convicted felons, domestic abusers, the mentally ill, and others who should not have access to firearms to acquire and use them.]

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## 12. EU Adds 6 Entities to Russia Sanctions List (Source: [Council of the European Union](#), 31 Jul 2018.)

The Council added six entities to the list of those subject to restrictive measures over actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. They are listed because of their involvement in the construction of the Kerch Bridge, connecting Russia to the illegally annexed Crimean peninsula. Through their actions they supported the consolidation of Russia's control over the illegally annexed Crimean peninsula, which in turn further undermines the territorial integrity, sovereignty and independence of Ukraine.

The measures consist of an asset freeze, meaning that all of the assets in the EU belonging to these entities are frozen and EU persons and entities cannot make any funds available to them.

The decision brings the total number of entities listed by the EU to 44. In addition, the EU imposed a travel ban and an asset freeze on 155 individuals under this sanctions regime.

The legal acts, including the names of the persons concerned, are available in the EU Official Journal of 31 July 2018. They were adopted by the Council by written procedure.

Other EU measures in place in response to the Ukraine crisis include:

- economic sanctions targeting specific sectors of the Russian economy, currently in place until 31 January 2019;
- restrictive measures in response to the illegal annexation of Crimea and Sevastopol, limited to the territory of Crimea and Sevastopol, currently in place until 23 June 2019.

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### 13. UK OFSI Publishes Guide Concerning Financial Sanctions (Source: [UK OFSI](#), 31 Jul 2018.)

The UK Office of Financial Sanctions Implementation (OFSI) has published a guide to the current consolidated list of asset freeze targets, and a list of persons subject to restrictive measures in view of Russia's actions destabilizing the situation in the Ukraine.

The guide is available [here](#).

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NEWS

14.

### CTech: "Israeli and U.S. Defense Robotics Companies Quarrel Over China Ties"

(Source: [CTech](#), 1 Aug 2018.) [Excerpts.]

Israeli Roboteam sued Massachusetts-based competitor Endeavor Robotics over alleged defamation connecting Roboteam to Chinese attempts to obtain U.S. military technologies

Israeli defense robotics company Robo-Team Ltd. (Roboteam) has sued Massachusetts-based competitor Endeavor Robotics Inc. over alleged defamation connecting Roboteam to the Chinese government. The lawsuit was filed by Roboteam's U.S. subsidiary Robo-Team NA Inc. to a Colombia district court in June 2017. ...

The lawsuit alleges that Endeavor hired defense-focused lobbying firm Sachem Strategies to spread false rumors that Roboteam is controlled by the Chinese government, which uses it to obtain U.S. military technologies. Roboteam alleges that Endeavor's actions were part of the latter's attempt to secure two U.S. military contracts worth hundreds of millions of dollars each. In April, Judge Trevor N. McFadden issued a memorandum opinion dismissing Roboteam's case for lack of personal jurisdiction over the two Massachusetts-based companies. The judge also dismissed Anti-SLAPP (strategic lawsuit against public participation) motions filed by Endeavor and Sachem for the same reason. If granted, the motions would have awarded Endeavor and Sachem all legal costs, pursuant to the District of Columbia's Anti-SLAPP statute, meant to protect defendant's against intimidation suits.

...

Israel's technology trade with China is a sensitive issue for the U.S. administration. In 2000, the U.S. prevented a deal that would grant China an advanced Israeli airborne warning system called Phalcon. The cancelation of the deal led to a diplomatic crisis between Israel and China. Four years later the Pentagon attempted to stop Israel from returning several Israeli-made drones which China had sent to Israel for maintenance. In 2005, Israel agreed to a request by the U.S. to enhance its export control mechanisms, to cease all military trade with China, and to submit nonmilitary tech deals with China for review by the U.S. Department of Defense.

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15.

### Seattle Times: "Federal Judge in Seattle Blocks Release of Blueprints for 3D-Printed Guns"

(Source: [Seattle Times](#), 31 Jul 2018.) [Excerpts.]

A federal judge in Seattle has granted a temporary restraining order blocking a Texas man from releasing downloadable blueprints for 3D-printed plastic firearms.

U.S. District Court Judge Robert Lasnik's ruling Tuesday comes a day after Washington State Attorney General Bob Ferguson filed a suit challenging the Trump administration's decision last month to allow Texas gun-rights advocate Cody Wilson to post the blueprints, saying the move would provide broad unregulated access to dangerous weapons.

Ferguson is the lead attorney general in the multistate lawsuit that was filed in federal courts in seven other states, including New York and Oregon, along with the District of Columbia.

The lawsuit challenges the outcome of a 2015 case that began in 2013 when Wilson, head of the nonprofit Defense Distributed, was found to have violated a federal law known as International Traffic in Arms Regulations (ITAR), after publishing downloadable plans for 3D-printed guns online. The files were downloaded more than 100,000 times. ...

The lawsuit was settled this June with the Trump administration, despite opposition from gun-control organizations such as the Brady Center to Prevent Gun Violence, Everytown for Gun Safety and the Giffords Law Center to Prevent Gun Violence, and Wilson was given permission to make his creations available publicly again. He intended to do so Wednesday. The restraining order issued Tuesday by Lasnik puts that plan on hold for now.

During the Tuesday hearing in Seattle, Eric Soskin, a lawyer for the U.S. Justice Department, said they reached the settlement to allow Defense Distributed to post the material online because the regulations were designed to restrict weapons that could be used in war, and the online guns were no different from the weapons that could be bought in a store.

Since the weapons "did not create a military advantage," he told Lasnik, "how could the government justify regulating the data?" But the judge countered, "There is a possibility of irreparable harm because of the way these guns can be made."

Afterward, Ferguson issued the following statement: "I am thankful and relieved Judge Lasnik put a nationwide stop to the Trump Administration's dangerous decision to allow downloadable, 3D-printed ghost guns to be distributed online. These ghost guns are untraceable, virtually undetectable and, without today's victory, available to any felon, domestic abuser or terrorist."

According to reporting from The Washington Post, Fred Guttenberg, whose 14-year-old daughter was one of the 17 victims killed at Stoneman Douglas High School in Parkland, Florida, earlier this year, complained that federal lawmakers were "clueless" and unaware a settlement had been signed in June.